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At Barmecide's feast

BUT FOR THE fact that the contents of the address of the President of the World Bank at the annual general meeting of this institution have been very widely publicized, the speech writers in the prime minister's secretariat may well be tempted to quote him without acknowledgment when they draft her next big speech. Mr McNamara has indeed provided an abundance of grist to the mills of Mrs Gnadhi's 'garibi hatao' propaganda. He has spoken vividly of the failure of the development process not only to bridge the gap between the affluent countries on the one hand and those of the 'third world' on the other, but also between the rich and the poor in the developing countries themselves. He has pointed out that this gap, in both its aspects, has in fact been widening and the remedy he prescribes is two-fold. He desires, in the first place, that the affluent countries should improve their respective percentages of GNP spared for development aid, and, secondly, he recommends that the developing countries themselves should adopt economic and social policies which would consciously strive to step up the incomes of the poorest sections of their populations at rates immediately as high as and subsequently higher than the rates at which their GNP may grow. In this context Mr McNamara has stressed the importance of specific employment-generating or anti-poverty programmes of development.

Valuable as these guide-lines are, Mr McNamara, however, has been forced to admit that, as it is, the second development decade holds out no promise that the aid psychology or politics of the affluent countries would change sufficiently to reverse the process of the slowing down of the flow of development finance. Of the role of the World Bank itself in tapping sources of development funds he is both proud and confident, proud because his stewardship of this institution has already set up a record in the mobilization of resources or disbursement of loans and confident because his past performance encourages him to be so. At the same time he realizes that, however resourceful or energetic the World Bank itself may be, its contribution would still be modest in terms of the vast demands for resources which the needs of the developing countries pose. This brings out once again the relevance of the change that must take place in the aid psychology or politics of affluent countries. For, without this change, there can never be that much sharing by the industrially advanced countries of their affluence with the developing nations without which the latter may not be able to find the capital or more particularly the external resources required for substantial development.

The latest meeting of the Bretton Woods institutions at Washington do not indicate that development aid on this scale will in fact be forthcoming. It is significant that the government of the United States, which has been a major dispenser of development aid, has carefully refrained from giving any undertaking that it would reconsider its recent policy of devoting less and less of its GNP to this purpose. The other aid-giving nations such as West Germany and Canada are no doubt inclined to be more and more liberal but this is not enough to make up for the growing indifference in US attitudes. In these circumstances, the outlook for development finance is unlikely to brighten so long as aid remains mostly inter-governmental and bilateral. Hence the importance and the urgency of developing countries exerting themselves to internationalize as much as possible the institutions and processes of development assistance.

It is in this context that the demand made by these countries at the annual meeting of the IMF for linking Special Drawing Rights with development assistance gains its topicality. Unfortunately, here again, the government of the US has chosen to strike an attitude of disinterestedness, although quite a few other western countries have extended their support or expressed their sympathy. The US Secretary of the Treasury, Mr George Schultz, addressing the Boards of Governors of the IMF and the World Bank, made indeed a wide-ranging speech, but on the issue of development assistance or the linking of the Special Drawing Rights with development assistance, he managed to maintain a noisy silence. This perhaps was not altogether surprising since, even otherwise, Mr Schultz's speech exhibited an oppressive obsession with narrow US in-

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vernment is not "for sale" and that it will not allow itself to be influenced by the "monopolists". A great deal of uncertainty prevails in the private sector in West Bengal and in the eastern region in general because of the take-over of the Indian Copper Corporation, the coking coal mines, and the Indian Iron and Steel Co., and the threats to take over more trades and industries, Mr Ray and his government seem to be doing nothing to dispel this uncertainty and to create a climate of confidence. On the other hand, Mr Ray has been anxious to share the credit for persuading the centre to take over the management of the Indian Iron and Steel Company. He continues to keep the industrialists at arm's length, hoping thereby to improve his socialistic image. But he forgets that his present policy is slowing down the state's rapid revival. The large business houses have played a vital role in West Bengal's industrialisation in the past and even now their talents and resources can be effectively utilised to set up new industries especially in the backward districts and provide new employment. But Mr Ray seems afraid to take a bold attitude in this matter lest the Communists should accuse him of surrendering to the capitalists!

Mr Ray's ministry claims to have done a great deal to benefit labour. The jute workers' minimum wage has been raised to Rs 235 per month and 2.5 lakh workers have been benefited. About 50,000 textile workers have also benefited by raising their minimum wage to Rs 200 per month. Nearly 1.9 lakh tea workers have gained by having their per capita wage increased by 46 paise per day while 1.19 lakh coal mine workers have been able to get their minimum wage-level to Rs 7.63 per day. The government claims that all these benefits were obtained without any strikes. But unfortunately these wage increases do not seem to have brought about any improvement in productivity.

The ministry says that in the six-month period there have been 88 strikes (98), 56 lock-outs (305), 146 lay-offs (419), 74 closures (370), 10 gheraos (1162), and an average loss of man-days of 324,951 per month (656,28). The figures in brackets refer to what happened during the United Front ministry's performance over a period of 21 months and 13 days. The comparison is not realistic because the UF ministry did not function at all as a cabinet should. In any case, a popular ministry like that of Mr Ray should have been able to show a better record in regard to industrial relations. Is it not disquieting to be told that in the last six months there were as many as 74 closures or 12 per month? The government has revealed that during the period under review 170 closed industrial units have been re-opened, providing employment to 103,199 workers. But how many units still remain closed and what are their prospects of reopening? No information is available on these points.

The government has not given data to show how many new jobs have been created in the last six months and how many more it hopes to generate in the near future. It may not be easy to give accurate figures, or even fairly reliable estimates, in regard to the jobs that have been created. There is no doubt that the various schemes for extending irrigation and electricity, for building roads and bridges for modernising agriculture, and other development projects must have created considerable opportunities for employment. But the problem of unemployment in the state is of such tremendous magnitude that unless it is tackled boldly and realistically it will not be able to make any reasonble impact in the short period. Regretably, the government does not seem to have drawn up any well-conceived policy in this regard. Instead of concentrating on vigorous measures to expand the economy and thereby create new employment on a large scale, the government's emphasis has been mainly on pressurising employers to give jobs to the local people. Employers are warned to recruit only through the employment exchanges.

The advertisement issued by the government of West Bengal on the occasion of completing its six months says: "Millions of youth and students all over the state have rallied behind the administration. With their support, the government can carry forward the task of regeneration". But the government can continue to expect the support from the youth only if it is able to provide them with regular and remunerative employment. This will depend not merely on the growth of the state's economy but on the extent to which the government has been able to improve the system of education. Surprisingly, the advertisement says nothing about what the government has done and proposes to do to eradicate the serious anomalies and abuses that have crept into the system of education at all levels. When Mr Ray was the union Minister of Education, he hardly took a serious interest in improving the conditions in West Bengal's schools and colleges. And as the Chief Minister, he seems to have little time to devote to educational reforms. Unless he gives top priority to this problem also, the efforts to tackle unemployment cannot succeed. In the months ahead, Mr Ray and his Ministry should be able to do a great deal of more constructive work in manyd irections if they are to justify the confidence that the people have placed in them.

Money for the asking

WHATEVER may be said about the nationalisation of major banks in 1969, the growth in the stature of the scheduled commercial banks in the past two years, as a result of vigorous branch expansion, and a continuous rise in the assets of the Life Insurance Corporation and Provident Funds, have been extremely helpful to the central and state governments, the state electricity boards and the statutory financial corporations in mobilising record amounts through loans and bonds. The central and state governments alone have doubled their net borrowing in the last three years thanks mainly to the significant improvement in the liquid position of the banking system.

In 1970-71 the net amount gathered through open market loans by the centre and states was only Rs 235 crores, the former accounting for Rs 135 crores and the latter for Rs 100 crores. In 1971-72 the total rose to Rs 396 crores the share of the centre being Rs 295 crores and that of the states Rs 101 crores. The massive borrowing by the central government during a critical period was considered a great achievement and as being also useful in restricting deficit financing. But for the additional garnering of resources for Rs 160 crores. deficit financing on centre's account alone would have been nearly Rs 550 crores. It is now estimated that the aggregate overall deficit of the centre and states would be Rs 631 crores against Rs 431 crores in 1970-71.

After the spectacular performance of 1971-72 it might not have been generally expected that open market loans would secure much larger amounts for the governments and public bodies. The developments in the current financial year so far have however been such that new records will be established. The state governments have already raised a net amount of Rs 133 crores against Rs 101 crores. There were 20 loans against 15 loans on the former occasion. Nevertheless, all the loans were oversubscribed and each borrower found it possible to exercise its right to accept subscriptions upto 10% in excess of the notified amount In view of the earlier borrowing by the Industrial Development Bank and the larger demand from states, it was expected that the scheduled commercial banks might be obliged to make use of the refinance facilities provided by the Reserve Bank for lending support to the different loans. It happened however that there was quite a brisk rise in deposits and a contraction in advances and it was not

necessary for member banks to borrow on a large scale from the Reserve Bank. The scheduled commercial banks alone have increased their holdings of government securities and treasury bills during the week ended September 8, 1972, by as much as Rs 105 crores. This is a clear indication that the banking system absorbed a fairly large portion of the state loans on their own account with their own resources.

With near full utilisation of available resources of the Life Insurance Corporation, the banking system and provident funds for making a success of the borrowing programme of the states, it was felt in some quarters that it would not be possible to get the central loans oversubscribed as their lists were opened on September 15. The apprehensions in this regard have however proved incorrect and the reissues of the central loans for a notified amount of Rs 215 crores were also oversubscribed, within 1½ hours on the opening day. Aggregate subscriptions which were all in the form of cash were Rs 236.71 crores. In the complete management of loan operations by the Reserve Bank, it would have been easily decided that there should be larger subscriptions for the shortdated loan taking advantage of the conventional preference of the banking system for shortdated securities. These conventions however have no validity in the present context as there is the prospect of continuing large additions to the investments of banks and no serious problem will arise on account of the lack of adequate liquidity or a further rise in long-term interest rates. The subscriptions to the 4¾ per cent—1979 loan therefore amounted to only Rs 48.82 crores. The medium dated 5 per cent—1983 loan of course has got the largest amount of Rs 97.94 crores with the long-term 5¾ per cent—2002 loan securing Rs 89.95 crores. All subscribers got full allotment.

With the completion of the second stage of the borrowing programme of the central government for 1972-73 even the revised target has been comfortably reached. In the budget estimates gross borrowing was fixed at Rs 515 crores and net borrowing at Rs 215 crores. There were maturing loans for Rs 300 crores. It was however subsequently realised that additional resources were needed for meeting the unexpected expenditure on relief operations in the drought and flood affected areas and the notified amount was raised to Rs 565 crores and as it was confidently anticipated that there would be over-subscriptions for all loans on both the occasions, gross subscriptions were likely to be Rs 623 crores. These revised targets have been easily reached as stated above. In the first phase of borrowing the net amount was Rs 132 crores. In the second phase cash subscriptions were Rs 236.71 crores. But it has been assumed that two maturing loans for Rs 45 crores will be repaid in October and November. The net amount borrowed will thus be Rs 192 crores in the second stage though there will be the advantage of Rs 45 crores for ways and means purposes till the maturing loan were redeemed. Net borrowing by the central and state governments in the current year upto now has thus risen to the staggering total of Rs 456 crores nearly double the amount mobilised in 1970-71. It is quite likely that the centre will be in a position to effect further reissues of earlier loans or even devise new loans for being issued in the coming months.

There will, of course be larger borrowing by the state electricity boards in the coming weeks as indicated by the union Finance Minister, Mr Y. B. Chavan some time back. However the net amount involved will not be more than Rs 100 crores. As the adjustments on account of the support extended to the central loans would have been completed by the scheduled commercial banks by the end of September, there may be a problem of investing surplus resources even after meeting the needs of industry and trade in the next busy season. In the six months ending March 31, 1973 fresh additions to deposits may be of the order of Rs 720 crores. Taking into account the likely contraction in advances upto the middle of November, there will be disposable surpluses for at least Rs 850 crores. The expansion of credit in the next busy season even allowing for a higher level of activity may not be more than Rs 600 crores. This will leave a balance of Rs 250 crores. The state electricity boards can easily secure their requirement of Rs 100 crores. There will still be a residual amount of Rs 150 crores with the banks not to speak of the credits with other institutions. If the central government so desires net borrowings on its own account in 1972-73 can be easily Rs 450 crores, exceeding budget estimate by as much as Rs 235 crores. If there had been no increase in expenditure on relief operations there was thus even a prospect of elminiating deficit financing altogether as the combined deficit was expected to be only Rs 242 crores. This may not be possible now. But the government cannot complain of lack of financial resources.

If anything, it has to adopt a cautious policy in respect of spending on Plan and non-Plan accounts as the inflationary

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implications of a higher level of public spending in the absence of a corresponding growth in agricultural and industrial production will have to be taken into account. The governments and public bodies are in a position to mobilise large resources through open market loans. During the twelve months ended September 8, 1972, advances of scheduled commercial banks increased by only Rs 450 crores against Rs 566 crores in the corresponding period 1970-71 while investments jumped by Rs 590 crores against only Rs 227 crores, even after reducing borrowings from the Reserve Bank by Rs 73 crores, and increasing cash balances to the extent of Rs 72 crores. This metamorphic change in the complexion of the money market has come about because of a growth in deposits by Rs 1271 crores against Rs 1080 crores and the efforts of industrial units to secure deposits and loans from non-banking sources. The opportunity for securing large amounts through open market borrowings should not therefore be misused.

Power famine in the south

THE EXPECTATIONS raised in the middle of August this year that it would be possible to improve the availability of power and stabilise also the system through integrated operations and get over any difficulties that would be experienced on account of the vagaries of the monsoons have not materialised. Within a few weeks the picture has changed completely and the power famine is now stalking the three states. Even surplus Mysore has been obliged to impose a cut of 25 per cent in its power consumption because of the low storage in the Sharavathi project. Somehow an impression had been created that the Mysore State Electricity Board would be in a position to meet the needs of Tamil Nadu and Andhra Pradesh besides meeting the growing demands for agricultural and industrial purposes in its own region.

However, with the functioning of eight sets and the export of power to Maharashtra and Tamil Nadu, the reservoir got depleted as a result of the failure of the south-west monsoon for two seasons in succession. The storage in this giant reservoir is now less by 1,000 million units as compared to this time last year when its reserve of 3500 million units was not considered large. As there was no prospect of getting any help from Kerala which, also has suffered on account of the unobliging south-west monsoon, it was decided to restrict consumption by 25 per cent until June next year. It will now be possible for Mysore to think of exporting power only if there was unexpected rainfall in the next season and the remaining two sets in the project could also be erected. There will however be an increase in the state's consumption in the meanwhile as new industrial units are coming up and pumpsets also are being energised on a large scale. There has already been a doubling of power consumption in the past three years to 14 million units which is the second highest in the region.

With no import of power from Kerala and Mysore and a precarious storage in the hydel reservoirs in the Nilgiris, Anamalais and elsewhere, the Tamil Nadu State Electricity Board too has been compelled to restrict consumption by 25 per cent from the beginning of October. These power cuts are unusual for this time of the year when there must be plentiful availability of hydel power. But the predominance of hydel capacity in the region in the face of growing demand has upset all calculations even when surplus capacity existed because of the unprecedented failure of the monsoon. A situation like this has not been witnessed in recent memory and even when Tamil Nadu imposed its last cut in November 1965, other regions were not so badly placed. This was of course due to the low level of consumption in Kerala, Andhra Pradesh and Mysore. With a decline in hydel resources by nearly 1000 million units in the different centres in Tamil Nadu as compared to last year and the special problems experienced in operating the generating sets in the Neyveli and Ennore thermal stations, the unusual course has had to be adopted and it is feared that there will be a heavy loss of production of cotton textiles, cement, fertilisers, engineering goods and various other items at a time when the output of these has to be stepped up and the shortages in many directions eliminated.

The decision of the state electricity board could not have been avoided because of the deterioration in the power situation in Mysore. There is however a feeling that the central government has not appreciated properly the problems of Neyveli and adequate arrangements have not been made for increasing the raising of lignite. Even now the hardship of the whole region could be minimised to a great extent if mining machinery could be expeditiously secured and urgent steps were taken to remove the overburden in the mine area at a faster rate than is now being done and expose the lignite bed for augmenting its availability. Only 300 MW out of the installed capacity of 600 MW is now being used when there could be easily an average generation of 420 MW. Usually in the latter half of the year Neyveli was devoting its attention for overhauling and repairing the generating equipment so that they can be in full use in the summer months. The power station equipment is in good repair but the giant sets cannot be used fully because of the serious bottlenecks in the mines.

Another major difficulty is being encountered at the Ennore thermal station which has an installed capacity of 230 MW With the installation of the fourth set the capacity will rise further to 340 MW early next year. But the state electricity board has failed to anticipate the problems that will arise on account of the inadequacy of sea water for cooling following the delay in clearing the sand bar. The shortage of sea water for cooling purposes is preventing the use of even two sets at a time and it is not expected that generation can be raised to very much more than 100 MW from this source unless the dredging operations could be expedited and the investment in this huge project made worthwhile.

If only Neyveli and Ennore could provide additionally 300 MW of power it would not have been necessary to impose a cut of more than 10 per cent. There are however no indications that the disabilities of these projects will soon be overcome

and the central and state governments would appreciate the gravity of the situation. There is no room for complacency as the situation may get more aggravated in the first half of next year and if there was no succour from the north-east monsoon and thermal generation could not be stepped up. It may even become necessary to increase the cut to 35 or 40 per cent for some industries from April next year.

The union Minister for Power and Irrigation, Dr K.L. Rao has of course expressed his concern over the latest situation and various questions are proposed to be examined by the ministers for Electricity of the southern states. Andhra Pradesh particularly is facing chronic shortage for several years as its installed capacity is only 700 MW while its needs are of the order of 1400 MW. Even the existing thermal equipment is not being effectively utilised due to operational and other problems. The various bottlenecks may be overcome but without a concerted effort to establish new thermal capacity and pool hydel resources the set back suffered in the current season cannot be fully overcome and the new plans for ambitious rural electrification and energisation of pumpsets successefully implemented. The regional generation is now around 53 million units with Tamil Nadu accounting for 23 million units, Mysore 14 million units, Andhra Pradesh 10 million units, and Kerala 6 million units.

With an annual growth of 15 per cent in generation in Tamil Nadu and 20 per cent in other states total generation will have to be nearly 110 million units before 1977 and for ensuring availability of an additional 60 million units daily fresh capacity for over 3500 MW, thermal and hydel will have to be created. Even taking into account the possibility of successful impelementation of the existing schemes, it will be difficult to meet new demands fully. While the Srisailam, Idikki and Kalinadhi projects which will make available nearly 1000 MW of capacity in the first phase, should be completed on a priority basis the emphasis will have to be on creating new thermal capacity. The Kalpakkam Atomic Power Station and the expansion schemes of the Kothagudem and Ramagundam thermal stations may of course provide another 800 MW of capacity. But there will be a gap of 1700 MW of capacity as other hydel schemes may not be ready for several years and it was also becoming necessary to think of establishing new thermal stations in Tamil Nadu, Kerala and Mysore for meeting new demands and achieving a proper balance between thermal and hydel capacity. Coastbased thermal stations at Tuticorin, Cochin and Mangalore have become an urgent necessity and if these three projects can have an initial capacity of 1500 MW in the aggregate the whole work can be completed in three to four years. There will also be the advantage arising out of the commissioning of new sets as and when they are erected unlike in the case of hydel projects where results can be obtained only if the reservoirs and the connected headworks could be fully constructed.

Power planning in 1974-79 should therefore lay greater emphasis on the creation of thermal capacity and the suggestion of Dr K.L. Rao that a second atomic power station should be located in the southern region is worth pursuing. It will of course be difficult to expect an early decision in this regard and construction of an atomic power station also will take a longer time than in the case of conventional power stations.

With fuller exploitation of the coal resource of Andhra Pradesh for power generation an improvement in the operating efficiency of the Neyveli and Ennore thermal stations and the construction of three new coal-based, coast-based thermal stations in Tamil Nadu, Mysore and Kerala, a repetition of the happenings of this year can be avoided in future. Power planning has to be on a continuing basis and there should be no hesitation to allocate the required financial and physical resources for meeting the requirements of all regions.

Eastern Economist 25 Years Ago

OCTOBER 10, 1947

The International Monetary Fund a complementary organisation in its functions, scope and objectives to the International Bank whose activities were reviewed in our last issue—has made a promising start. It has clarified with members the general procedure and the policy of the fund in regard to requests by members for purchase of exchange against their own currencies. It began exchange transactions on March 1, 1947, and up to June 30, 1947, sold $ 50 million in United States funds to France and $ 6 million in United Funds and $ 1.5 million in sterling to the Netherlands. The major task of establishing initial par values of the members' currencies it completed earlier in December 1946. It has since been keeping watch over the situation and wherever continuance of price inflation threatens currency parities it is calling the attention of the members to the need for dealing effectively with the problem. Realising the gold transactions may lead to divergences from par of the external value of member currencies, it has taken action to fix margin at one-fourth of 1 per cent above and below par. In June this year the Fund requested its members to take prompt actions to discourage international gold transactions at prices substantially above monetary parity; for the practice was likely to disturb exchange relationships and involved a loss of monetary reserve. The Fund is keeping itself in close touch with other institutions in the international field and besides considering terms of an agreement with United Nations, it has taken active part in the work of the conference for world trade and employment. It also provided during the year a technical mission to Ecuador for consultation on exchange and monetary problems. Further, it is gathering informations relating to monetary uses of silver, function of silver coins, etc., with a view to facilitating the discussions on silver problem in an international conference of interested members.

Case for the defence

R. V. Murthy

AS AGAINST the admittedly interested (or is it jaundiced?) version of the government of India of the preformance the cotton mill industry, to which the public of this country is being regularly treated of late, the Chairman of the Indian Cotton Mills' Federation (ICMF), Mr Tej Kumar Sethi, has presented the industry's view that, in 1971-72, this industry, "which has always recognised and shouldered its social responsibilities, has done even better than usual." Mr Sethi tried to substantiate this statement of his with a detailed analysis of the industry's efforts in the matter of production of controlled cloth, promotion of exports, yarn supply to the decentralised sector and cloth development. It is worth examining briefly as to how these efforts have yielded the desired results.

To take production of controlled cloth first. Early in 1971, it will be recalled, the industry was called upon to increase production of controlled cloth from a meagre nine million sq. metres per quarter at that time to 100 million sq metres per quarter The industry undertook to do it, and, by the end of 1972, it expects to supply as much as 600 million sq. metres. It is not just supplying this large quantity of cloth but supplying it at controlled prices, that is at prices frozen at the 1968 level (a level of prices at which probably no other commodity is available to the Indian consumer today) ! So, as Mr Sethi put it, the industry has both *supplied and subsidised* controlled cloth to the Indian consumer. In terms of cost, this has meant a total sum of Rs 20.50 crores over the past one and a half years!

distorted impression

In regard to exports, the ICMF chairman has provided facts which show how distorted is the impression in this behalf created in the public mind by government spokesmen. According to him, the Federation, which has devoted its energies whole-heartedly towards promotion of exports right from its inception, expects to reach a new record level in exports of textiles in 1972. Already, during the first eight months of the year, the industry has earned foreign exchange amounting to Rs 88 crores, or an annual rate of Rs 132 crores, by exporting mill-made textiles. "We shall achieve a record export of Rs 140 to Rs 145 crores in 1972", said Mr Sethi. The previous best mill-made textiles export performance was only Rs 116 crores in the year 1970. In regard to textiles exports to the United Kingdom, of course, the ICMF admitted there has been a declining trend. But he attributes this not to lack of efforts on the part of the industry but to the changing tastes of textile consumers in the UK (the UK consumer is said to have shifted from cotton to man-made fabrics) and the new import tariff (from January 1, 1972) of 15 per cent. He also told how the industry has planned to meet these twin problems. This has taken the form of a voluntary obligation to export to the UK a stipulated percentage of every mill's production, with a penalty for any shortfall in the concerned mill's performance.

What the public may not know is that, for both boosting exports as well as for financing other social obligations of the industry, the industry has chosen to tax itself, by way of a voluntary subscription in the form of a spindle-loom levy (Rs 12 crores) and a fee on foreign cotton consumption which has been done for the last 14 years (the collection on this account in the cotton season 1971-72 was as much as Rs 33 crores).

inadequate supplies

A frequent complaint one hears against the cotton mill industry is that supplies of yarn are inadequte and the prices charged are high. Here, again, thanks to the Yarn Pool Scheme (which will be discontinued by the end of this month), the industry has been supplying a part of the decentralised sector's yarn requirements at prices fixed in February, 1971 (based on the average prices in the last quarter of 1970). Lately, the complaint of the decentralised sector has been that yarn of counts 60s and above is in short supply and that its prices have gone up. In order to meet the situation, the industry, in consultation with the government, has introduced a voluntary scheme (as from August 1, 1972) for supply of cotton yarns of 60s and above to the decentralised sector at regulated prices (based on prices ruling between June 1, 1971 and January 1, 1972), under which 50 per cent of civil deliveries of all mills has to be set apart for this purpose and these deliveries are to be made to co-operative societies and registered associations through the concerned state governments.

record to boast

Another field where the ICMF has a record to boast of is that of cotton development. Over the past six years, the Federation has spent over Rs 100 lakhs on cotton research to ensure new and better varieties of medium staple cotton. This apart, the Federation has also been running a scheme for educating the cotton farmer to increase his per-acre yield by demonstrating to him the value of improved methods of agricultural practices. The results achieved, it is claimed, "have been impressive enough to induce the union Ministry of Agriculture for changing the techniques under its own Cotton Development Programme and for allotting a larger amount for this purpose".

All these surely are achievements that deserve to be commended and not condemned as the government of India has lately been doing. And yet Mr Sethi, evidently a staunch believer in the dictum "do your duty regardless of rewards," did not feel discouraged, but went on to emphasise the need to expand the cotton mill production base from the angle of exports as well as internal supplies (both are equally vital in the prevailing context). Commending the cautions relaxation in the government's policy recently in regard to licensing additional spinning and weaving capacity, he made two suggestions which are worth pondering over by both the authorities and our trade unions. The first suggestion was that this expansion should go hand in hand with an expansion in production of cotton as well as synthetic fibres. Secondly, Mr Sethi made the rather unusual plea (unnsual because every one has been wanting shorter working hours or weeks) that, "before anything else is done, every mill must be encouraged to work seven days in the week so as to increase the production as well as employment". It is a moot point, to judge from their stand on the bonus issue, whether, despite his earnest appeal our labour unions would accept this sugestion, though it is undoubtedly in overall national interest.

Apropos the latest decision of the government of India to enforce a minimum bonus of 8.33 per cent (13 months'

wages for 12 months' work), Mr Sethi had this to say — "a disturbing development". How is this so? Let the ICMF chairman speak for himself. "It is regrettable, government have rejected even the compromise recommendation made by the Chairman of the Bonus Review Committee and three of its members, including an independent economist, and yielded to the pressure tactics collectively adopted by the trade unions. In their anxiety to avert a clash with organised labour, the authorities have set a bad precedent and inflicted a heavy price on the economy as a whole and on the marginal industrial units in particular.

The already strong inflationary pressures in the country are bound to gather fresh momentum and the vicious spiral of prices and costs will become more vicious to the detriment of all. Savings will be eroded and availability of resources for modernisation and expansion will suffer a setback". But the union Labour Minister does not seem to think so. He is not content with a minimum bonus of even 8.33 per cent. This is but the first of such rises, he feels; of course, he took the ordinary prudence to add: "as industrial profits rise". Are industrial profits generally and profits in the textile industry in particular rising, or do they even show a promise of such rise? Mr Khadilkar quoted some Reserve Bank figures to show that cotton mills were not fairing badly at all. The same source was also drawn upon by Mr Sethi but to arrive at exactly the opposite conclusion. This is clearly a case of statistics being made to prove anything. The reality is entirely different if the government is being forced, as it has been, to take-over one sick mill after another — it may take over more than sixty more sick mills, according to one report.

To take over a sick mill and manage it itself may be good political tactics to the party in power, but, in the long run, it is bound to prove a costly essay, costly not to exchequer, but to the unfortunate and unorganised tax-payer. If not for any other reason, the government is bound to recognise soon that, with demands for less work and more pay in one form or another and the cost of power tending to move up all the time, public sector mill textile products, unless heavily subsidised, are priced out of both export and internal markets. If, in the relentless international market, quality and price would determine the successful impact Indian cotton textile could make, in the internal market, it would be consumer-resistance that would seal the fate of the Indian market for government mill-made cloth. But labour leaders have yet to come forward to help the authorities by assuring maximum and quality production which alone could ensure to the consumer, both here and abroad, his mill made textiles at a price he is willing to offer.

Mechanics of the Asian dollar

S. Venu

A NEW development which has important bearing on the monetary atmosphere of south-east Asia is the Asian Dollar Market. It was started in Singapore in 1968 by the Bank of America, First National City Bank and other foreign banks with the consent of the Singapore government. It is more or less the prototype of the Eurodollar market. The banking unit of the Asian Dollar Market (ADM) is the Asian Currency Unit (ACU). The rationale of the market was the garnering of deposits by the operators in Singapore for use in south-east Asia and this is fast becoming a reality. Even Japanese and Australian borrowers who have access to the Eurodollar market have realized that it is administratively convenient to obtain their requirements within the region. Today, recourse is being made to the Euromarket to support lendings from the ADM.

The ADM is located at Singapore for three reasons. First, the government is willing to waive withholding tax on interest earnings from ACU deposits whereas in Hong Hong there is a 15 per cent tax on such earnings and likewise in Tokyo. Second, the Singapore government has allowed the ADM free movement of funds with the minimum of exchange control. Third, Singapore has a sophisticated banking system with easy access to all international financial centres. In Asia, she is a stable banking and shipping centre; her dollar is stable with increasing reserves. The fourth factor is the declared policy of promoting foreign investment and free enterprise.

ADMs system

The ADM is the system under which commercial banks accept time deposits (call two to seven days' notice, one month, two months, six months and twelve months) in terms of US dollar, sterling, Deutschemark and other hard currencies. These funds are lent out for investment and trade also in these currencies. A loan or deposit would be repaid and interest payments made in the same currency, banks maintain separate ACU accounts.

The depositors are individuals, corporations, commercial banks and financial institutions mainly from Japan, Taiwan and other countries of the region. Local residents cannot convert Singapore or Malaysian dollars into ACU units.

Borrowers of ACU units are mainly the multinational corporations who invest in Indonesia, Philippines and elsewhere. With the declining interest rates in the European monetary system, funds have flowed into the ADM which is now indirectly financing trade. Some big American multinationals have "swapping" arrangements by arranging for their head offices to deposit a certain sum into the Asian dollar banking unit which would then be borrowed by their Singapore offices. The ACU serves as a bridge between the monetary centres of the west and Singapore. In contrast to the Eurodollar Market where a large quantum of export and import bills are financed with ED funds, the ADM is used more for investment.

Originally, a minimum liquidity ratio of 20 per cent was prescribed against deposit liabilities in ACU. In March 1972 however, this statutory requirement was abolished. It is upto the banks to maintain a sound liquidity position. This degree of self-responsibility is indicative

of a market gradually coming into its own.

No statistics are available regarding ACU operations. The only information available is that the volume of deposits in 1971 was around $400 million, which is about one per cent of the Eurodollar deposits of $40 billion in September 1970.

Interest rates vary from 7.5 to 10 per cent and generally follow the Eurodollar. The high deposit rate to time investors follows the demand-supply pattern of investible funds and is freer than the normally "cartelized" commercial banking rate bound by agreements.

The ADM should be viewed as a segment of the banking system closely resembling the Eurodollar system. Banking units have the power of creating credit (hence AD creation) and the credit multiplier is the inverse of the reserve ratio for ACU operations. With the now defunct reserve ratio of 20 per cent (or 1/5) of deposit liabilities, such deposits can grow up to five times the cash reserves. Apart from primary deposits, *derivative* deposits are created so that the ADM owes its existence to the multiple credit "creation' inside the system and secondarily to the switch of other banking deposits into the system from outside countries.

Here, the stock and flow concept must be kept in mind. Credit can be expressed as an amount granted per period (flow) or as an amount outstanding at a moment (stock). So too, deposits can be regarded as a flow of funds or as amounts outstanding. The size of the system cannot be measured solely by the quantum of outstanding deposits; turnover of deposits transactions (flows), rate of loan creation and repayment are also relevant factors Also, interbank balances should be netted out from aggregate deposits to arrive at the size of the system.

It is possible to argue that the system is over-dependent on the US dollar which is "shaky' internally and externally. But the ADM would stimulate investment and foreign trade by facilitating payments. A higher level of investment promotes foreign trade via the income effect. As an entrepot, Singapore would benefit. The 'general atmosphere' effect is hence of importance.

enhanced liquidity

The ADM may facilitate economic cooperation in Asia by financing balance of payments deficits and surpluses of some countries for this area. Borrowing from the ADM will avoid depletion of reserves. By providing a regional mechanism to attract funds from a wide spectrum of depositors, international liquidity will be enhanced. However, the existence of the ADM in Singapore close to the free exchange market of Hong Kong may add volatility to hot money flows during the period of instability and 'hot money' flows across international borders. In theory savings could be drawn away through the ACU deposits from the area to the Eurodollar market as a resul of rush demands for investible funds from the multinationals who seek to maximize global profits. In practice, however, ACU funds have been mostly invested in South Korea, Taiwan and other Asian countries.

The ADM is still in its infancy. Whether it will spread to other centres, whether more funds will be borrowed, depends on various circumstances. The cessation of the Viet Nam and Laos conflicts, the industrialization of the countries of the ECAFE region, the patterns of foreign trade — all these dynamic factors will have a profound effect on its future.

In 1971, a consortium of 15 banks made the first consortium loan to the Private Investment Corporation of Asia of US $10 million for a four year period on a 'roll-over' basis. At the end of 1971, the first Asian Dollar Bond was issued from Singapore for the Development Bank of Singapore to further industrialisation. The loan carried an interest rate of 8½ per cent per annum. It was under-written by financial institutions in Europe, America, and Asia.

It is now reasonable to envisage position where multinational firms desiring to raising funds, after the successful initial bond issue, will do so in the ADM rather than in the Eurodollar market.

Downturn in world agriculture

S. P. Chopra

Mr A.H. Boerma, Director-General of Food and Agriculture Organisation (FAO) of the United Nations, has struck a dismal note regarding the progress of agriculture in 1971 in developing countries while reviewing the state of food and agriculture. States Mr Boerma: "As far as agriculture in the developing world is concerned, the Second Development Decade seems to have got off to a poor start. If urgent measrues are not taken to redress the situation, the whole international strategy for the decade could well be in jeopardy". The increase in agricultural production in 1971 in the developing countries has been estimated by the FAO at "between one and two per cent" which is much below the performance of these countries in recent years and less than half of the target of the Second Development Decade of an average annual increase of four per cent.

The rise in agricultural production in the world as a whole in 1971 was around three per cent — the same as the long-term annual increase —but mainly due to substantial upturn in production in the developed countries. Even among the developing regions, Africa and the near east recorded satisfactory improvements in production but major disappointment came from the far east which, in recent years, has given a good account of itself. The output of agriculture in India in 1971 was stagnant in sharp contrast to its encouraging record in the preceding three years. In Bangladesh also, the political unrest had an adverse effect on its agricultural performance.

Granted that the poor performance of agriculture in one year need not alarm the world, there is still the lurking fear that 1971 marks the beginning of a period of lean years. In the developing countries particularly agriculture continues to be governed by the agricultural cycles and an upward trend is invariably followed by a downward one. It is also highly likely that the recent increases in agricultural

production in the developing world gained through increased use of high-yielding varieties of seeds, fertilizers and other inputs signify the end of a period of easy gains. The technological advancement in agriculture will now require added efforts in these regions for persuading small agriculturists to take to improved techniques. In other words, much greater efforts will now be needed to help the developing world in maintaining its secular rate of growth in agriculture well above the rate of rise in population so as to increase the availability of agricultural products on per head basis. The increase in agricultural production between one an two per cent in 1971, as stated above, is about half of the rate of increase in population which ranges between two and three per cent per annum, signifying reduced supply of agricultural products on per head basis.

decline in exports

If the developing world had a poor record in agricultural production in 1971, it 1971, it fared equally badly in agricultural exports. Not only that the share of the developing countries in world agricultural exports dropped; there was a drop in absolute terms as well in agricultural exports earnings. The index of the value of agricultural exports by all developing regions taken together dropped by one point from 135 in 1970 to 134 in 1971 (1957-59 average=100) while the corresponding index for all developed regions improved by 11 points from 193 in 1970 to 214 in 1971. Among the developing regions Africa suffered the most with a drop of as many as eight points while among the developed regions, western Europe made the highest gain with a rise of 14 points. Again, the indices of the value of world exports of agricultural products indicated that the worst knock was received by wool which dropped by 23 points (1957-59 average=100) followed by cocoa by 17 points, natural rubber by 16 points and coffee by 10 points. The highest gain was made by dairy products with a rise of 31 points benefiting mostly the developed countries. In a majority of cases, declines in the value of the world exports were due to reduced export unit prices. The indices of world average export unit values computed by the FAO (1957-59 average=100) indicated that cocoa led the rest with a fall of as many as 22 points followed by natural rubber by 18 points, wool by 17 points and coffee by 12 points. Spectacular gains were made by dairy products whose unit prices went up by as many as 24 points (see table).

While the developing countries suffered a drop in export earnings because of reduced production as well as drop in export prices, the inflationary pressures within these countries got further intensified. The general levels of prices in the developing countries rose due to deficit financing for developmental and other purposes. Out of 54 developing countries, 18 reported a rise of more than six per cent in 1971 over 1970. Among the developed countries, 14 out of 25 had recorded price increases of that order. The uptrend in prices in the far eastern countries was significantly higher than in many other developing countries because of war and other disruptive factors. By and large, the increases in prices in these countries were spearheaded by improvements in food prices which, in turn, were due to difficulties in increasing foodgrains production "to meet the growing requirements of the population".

The hardships of the developing regions of the world were accentuated by the currency crisis which started on August 15, 1971 when the USA decided to delink gold and the dollar and to take a number of other measures. On top of reduced growth in agriculture and export earnings, the developing countries faced a critical position in foreign aid. The developed countries of the world reduced their contributions to aid and the third United Nations Conference on Trade and Development (UNCTAD) which was held in Santago in April—May this year year clearly indicated that the rich countries of the world were more concerned with their own problems following the currency crisis than with the plight of the developing countries. The decision of UNCTAD-III to investigate the possibility of setting up a special fund to assist the least developed countries was no doubt welcome but concrete measures are still to be taken in order to extend assistance to the distressed millions in these countries.

downward trend

In his foreword to the report on food and agriculture, Mr A.H. Boerma has said that UNCTAD-III had set a target of one per cent of the gross national product of foreign aid which percentage has tended to decline, instead of rising, during the past decade. It dropped from 0.95 per cent in 1961 to 0.81 per cent in 1971 for the 16 major donor countries. Many of these countries have adopted policies of

Indices of World Average Export Unit Values of Agricultural Products

(1957-59 average=100) (Per cent)

	1967	1968	1969	1970	1971*	Change 1970 to 1971
Agricultural Products	100	98	101	104	107	+3
Food and feedstuffs	109	107	110	112	122	+8
Cereals	113	113	112	104	108	+4
Sugar	93	93	106	113	124	+10
Vegetable oils and oilseeds	99	99	97	106	112	+6
Fruit	104	102	105	105	109	+4
Meat	129	126	134	143	159	+11
Dairy products	108	102	105	105	131	+24
Beverages and Tobacco	91	93	93	104	98	—5
Coffee	79	84	81	104	92	—12
Cocoa	76	85	108	109	85	—22
Tea	85	78	73	73	76	+4
Tobacco	104	102	103	102	99	—3
Agricultural Raw Materials	88	83	88	85	83	—2
Wool	89	76	81	74	62	—17
Cotton	84	89	88	91	103	+13
Rubber (natural)	66	59	71	65	53	—18
Jute and Kenaf	117	105	117	112	125	+12

*Preliminary.

extending increased assistance to the poor at home than to worry about the poor in foreign countries. That is why agriculture in the developing countries is currently facing a number of stumbling blocks. Some of them are the work of nature such as the failure of rainfall resulting in widespread drought and extensive destruction caused by floods and cyclones; others are man-made e.g. imprudent land reform policies pursued in some countries such as ours and also the unhelpful attitude of a few developed countries of the world which had made promises over the last two decades to promote the development of the poor countries through increased trade and aid but have not let their promises match performance.

Strategy for jute

P. Chattopadhyay

FROM TIME to time, the Indian jute industry is urged to diversify its activities for its revitalisation by adding on to its competitive strength in the international markets in non-traditionl lines. Carrying the argument for diversification in the Indian jute industry further, it may be stressed that the industry should necessarily discriminate between different types of diversification. It has become necessary to stress a good deal more on what is known as concentric diversification for various benefits that arise in the process. In the context of concentric diversifiction, certain trends are noticed here which stress in favour of such diversification for the sake of arresting the disconcerting trends. At the outset, however, it is required to take account of the increasing proportion of non-traditional items to total production of jute goods since 1957-58. From a mere 6.4 per cent in 1957-58, the proportion came to as high as 30.3 per cent in 1968-69. Since then, there has been a decline in the proportion in 1969-70 to 25.8 and 1970-71 to 22.3 per cent.

new usage patterns

A trend noticed in the relative length of two traditional jute goods, namely, hessian and sacking suggests that in the case of hessian, metres per tonne have declined from 3517.97 in 1957-58 to 3270.37 in 1970-71. In the case of sacking, the trend is in the other direction. While metres per tonne of sacking in 1957-58 were 2154.18, in 1970-71 every tonne of sacking spelt 2194.06 metres. These trends can be variously interpreted. In the absence of a corresponding price rise per tonne,the decline in the number of metres would mean loss to the industry. It is contended that the usage pattern of traditional Indian jute goods have undergone changes. The new end-uses require either finer variety of sacking or coarser variety of hessian. It is assumed here that the breadth of hessian and sacking has remained the same over time. This is, however, not the case. The breadth has increased keeping in view the different new usage patterns in the cases of both hessian and sacking. When breadth has increased, it is understandable that corresponding length would decline in the case of hessian and sacking. The trends appear contrasting, as between hessian and sacking. While these changes need not necessarily be alarming, it is necessary on the part of the manufacturing units to look into the economics of the product-mix in individual cases with reference to the type of products in demand within the country and abroad. As it is, the decline in metres per tonne in the case of hessian and increase in metres per tonne in the case of sacking, at least partially, reflects falling efficiency and lack of profitability in cases where the price is determined on the basis of metres rather than of tonne.

materials utilisation

The "materials utilization index", computed on the basis of multiplying the index of production of jute goods by 100 and dividing the product by the index of materials consumption over the years since 1957-58 to 1968-69 suggests that during the period in view there has not been mentionable improvement in the utilization of raw jute. The supply of raw jute having been subject to different untoward influences — supplies going short at times followed by excess availability — and prices depending on supplies and controls imposed by the government both on supply and prices, etc.

In the present context, the industry should seriously consider concentric diversification for facing the situation in which it finds itself often. The objective of concentric diversification is to maximize the *synergy* effect arising in any of the areas, related to technology, production and marketing. Concentric diversification should help management of the Indian jute industry to optimize the 'added value content' in the products and to sensitively vary the emphasis on different items of production with reference to the facility and economics of raw jute supply from time to time.

It is necessary to take account of the fact that, from the point of view suggested here, some of the non-traditional items in the industry would not qualify for the affection which has been bestowed on them by the industry and the government. While in the case of jute sacking and hessian, for instance, raw jute accounts for nearly 64 to 66 per cent of the total cost of production, in the case of carpet backing cloth the incidence of raw jute cost is more than 70 per cent of the total cost. In conditions of scarce raw jute supply, carpet backing should perhaps be given much less emphasis than it has been given subject, however, to the fact that the market demand may have been quite high and instead of losing totally at least some gain is derived from the activities of the manufacturing units, following the maxim of sacrifice by the wise of half in averting total loss.

An illustration of the type of activity recommended here for the manufacturing units is a recently developed process of bleaching and fast dyeing of jute fabrics enabling the jute industry to enter the decorative fabrics markets in the USA, the United Kingdom and on the continent of Europe. The process was developed by an American firm on assignment from the Indian jute interests. The process still awaits commercial exploitation on a large scale. Another instance is that of lightweight wool packs from superior fibre and matching the physical properties of traditional wool packs. This movement requires full support of the industry and the government for revitalising the industry which has such large export potential.

aggressive approach

Last but not the least, it has been a feature of the Indian jute industry that there has not been much of enterprise differentiation. The aggregative approach to the industry and lack of image of the products manufactured by individual firms, have together affected adversely the involvement of the units in the long-term future of the industry The government of India and the Indian jute industry should allow enterprises to develop their distinct images, including brand names, etc., and vigorously establish and pursue a course of marketing of the products having an eye on the future rather than entirely on what is happening at present. Myopia has eaten into the vitals of the industry to bring it to the state where it is now.

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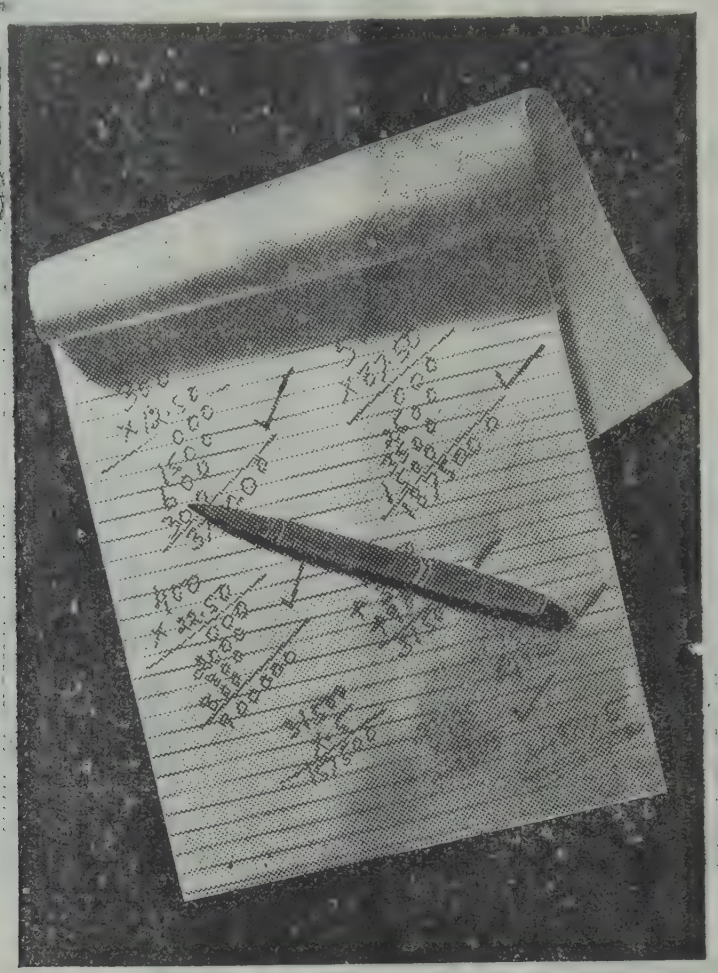
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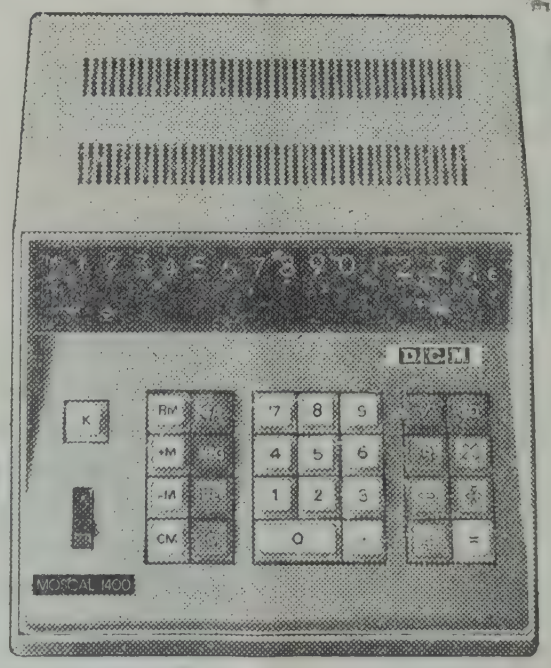
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Social Equity and Economic Growth

Robert S. MacNamara

Address by the President of the World Bank Group to the annual meeting of the Board of Governors held in Washington on September 25.

I

LAST YEAR, in this forum, I discussed a number of problems which were of serious concern as the Second Development Decade got under way. Now that the trend of the decade is becoming more clearly predictable, I want to explore with you today an issue that is central not only to its success, but to the efficacy of the entire development process.

That issue is the critical relationship of social equity to economic growth.

But before turning to that, I should like to:

Report on the Bank Group's operations in Fiscal 1972.

Review the progress of our programme for the fiscal years 1969-73.

Assess the current state of development throughout our developing member countries.

And, based on that assessment, sketch the outline of a programme for the Bank for the five years 1974-78.

WINDOW ON THE WORLD

Let me begin by touching upon our operations during the past fiscal year. For that period, new loans, credits and investments totalled $3.1 billion. This compares with $2.6 billion in 1971, $2.3 billion in 1970, $1.9 billion in 1969, and $1.0 billion in 1968.

To finance growing disbursements, and to increase the level of liquidity, the Bank borrowed, net of retirements, $1.1 billion during the year. This brought our liquid reserves to $3.2 billion — up $700 million from June 30, 1971. Net income for the year was $183 million, excluding a gain on revaluation of $51 million.

The year, then, was a productive one operationally. But as I have indicated to you before, the development task before us requires that we plan on a broader scale than year-to-year operations make possible. That is why in the fall of 1968, when I first met with you, I proposed a Five-Year Programme. That Programme will be completed next June 30th, and I want to report to you now on its progress.

You will recall what we set out to accomplish. Our analysis of the overall requirements for economic progress in our developing member countries convinced us that we should greatly broaden and expand the Bank Group's operations both in scope and in size.

We proposed as our overall lending objective that we should double the Bank Group's operations in the period 1969-73, as compared with the period 1964-68. Were we to achieve this goal, it would mean that during the five years the volume of lending would approach the total amount lent during the previous 23 years of the Bank's operations.

I can report to you today that we will not only meet that goal, but will surpass it.

But it was not principally the size of our operations which concerned us when we launched the Five-Year Programme. We did not merely want to do more. We wanted to do more of what would contribute most to development.

Thus, within the overall lending programme, we were resolved to shift our emphasis both into different sectors and into different geographical areas.

What does that mean in practice?

In a developing world in which hunger is chronic, it means intensifying our efforts in agriculture. We have quadrupled our operations in that sector.

In a developing world darkened by functional illiteracy, it means expanding our efforts in education. We have tripled our operations in that sector.

In a developing world caught up in the threat of unmanageable population pressures, it means facing up to that complex and controversial problem. We have established a Population Projects Department, and we have launched important initiatives in that sector.

In our previous meetings, I have stressed the damaging effect of runaway population growth on a developing economy. I have pointed out the strains this creates both at the family and the national level for any country struggling to improve the quality of life for its people.

Overly rapid population growth simply erodes and dissipates development gains in every sector: savings evaporate, scarcities multiply, resources are stretched so thin that in the end they cannot cover the most essential needs.

While the population problem is clearly one which cannot be solved within the confines of a five-year plan, or a development decade, or indeed even during what is left of our century, it is by its very nature a problem that can grow only worse with procrastination and delay. That is why we believe the entire international community must assign it the highest priority.

The Bank's initial work in the population field consisted of sector missions to

a dozen different countries and projects deliberately initiated in smaller member countries in order to provide us with working experience on a scale commensurate with our new capabilities.

But in the early summer of this year we approved far-reaching projects in two of our largest member nations: India and Indonesia.

The project in India a joint effort with the government of Sweden — will develop what promises to be the most advanced systems approach to the population problem in any developing country. It will provide the essential information and analysis required to shape the overall massive effort India is making to reduce its current population growth.

Both the size of India's problem, and the magnitude of its effort to solve it, can be grasped in the statistics. The nation's total population now stands at over half a billion. It is growing by an additional million each month. The government has set up an organization of 80,000 persons to administer a family planning programme to serve one hundred million couples.

population problem

The Bank project is designed to help support that programme with the experimentation and the systems analyses required to make it effective.

Like India, Indonesia is serious in its determination to provide its people with effective family planning assistance. With a population of more than 120 million, currently growing at an annual rate of 2.5 per cent, it ranks fifth among the world's most heavily populated countries. Some two-thirds of its people live in Java and Bali, where the average density is nearly 1600 persons per square mile.

With the participation of the United Nations Fund for Population Activities, WHO, UNESCO and UNICEF, the Bank project provides $13 million for a greatly expanded family planning programme. In addition to the construction of 300 health centres and the provision of the required vehicles and equipment, the project will help finance the training of several thousand field workers, the preparation of public school curricula, and a programme of research and evaluation.

Should the overall objectives of the project be reached — and both the government and we are confident that they can— Indonesia's population by the end of the century, even though it will be twice as large as it is today, will be 50 million less than it would otherwise be.

What all this demonstrates is that our Five-Year Programme has shifted the Bank's emphasis towards those sectors which in today's conditions require intensified effort : agriculture, education, and population, among a number of others.

But as I have indicated, our shifts in emphasis have been geographical as well as sectoral. In Africa, we expect to more than treble our lending over the previous five-year period.

And for the group of our poorest member countries — those whose per capita incomes average less than $100 — we will quadruple our lending.

To achieve these goals has, of course, required a substantial strengthening of the Bank Group both organizationally and financially. The professional staff, for example, by the end of the five-year period will have increased by 125 per cent.

Recruitment of highly qualified staff, representing the broadest possible geographical experience, has been facilitated by a worldwide interest in the work of the Bank. In the past year, more than 2400 candidates, from 98 countries, applied for 52 available openings in our Young Professionals Programme.

Doubling the volume of our lending operations has meant, of course, that we had greatly to expand our borrowing capacity. This in turn depends on governments granting us access to their countries' capital markets. Despite recurrent and unsettling readjustments in the international monetary system, they have continued to do so.

borrowing instruments

Not only have we continued to borrow in our more traditional markets, but we have entered new markets as well, and have utilized new borrowing instruments, and new channels of distribution. Net borrowing for the five-year period will approximate three and three-quarter times that of the earlier period and liquid reserves will increase by about 125 per cent.

Neither the expansion of operations nor the shift into less traditional sectors of lending has adversely affected net income. On the contrary, total net income during the five-year period will be approximately 30 per cent higher than that of the previous period, and this despite a significant increase in the subsidy to the developing countries implicit in the Bank's lending rate.

Organizationally, then, and financially, the Bank Group will complete the first Five-Year Programme in a position of strength.

But while encouragement over the Bank's operations is one thing, complacency with the state of development is quite another. And there is little danger of confusing the two if we take an objective look at the current prospects of the developing nations.

In its strategy for the Second Development Decade, the United Nations set as a target that the average annual rate of growth in Gross National Product for the developing countries should be at least six per cent. To make that possible, the developed countries were to increase their concessionary aid — known as Official Development Assistance — to .7 per cent of their GNPs by 1975.

below target

As I pointed out earlier this year at the United Nations Conference on Trade and Development in Santiago, it is now clear that the objective of .7 per cent will not be reached. There seems little likelihood that during the first half of the decade Official Development Assistance will exceed .37 per cent of GNP — only half of the Second Development Decade target (see table on p. 757).

That is regrettable in the extreme, but we must be realistic. And realism dictates that we try to assess the effects of this massive shortfall in concessionary aid.

The first, and least tolerable, of the effects is that the poorer of our member countries — those with per capita GNPs of less than $200 — will be penalized the most. Their needs for Official Development Assistance are the greatest, and their chances for finding feasible alternatives are the least.

What is more, these countries collectively contain 1.1 billion people, 64 per cent of the aggregate population of our entire developing country membership. They are the very countries which have suffered the greatest burdens of poverty during the past decade. Their GNP grew annually at an average rate of only 4.1 per cent and their per capita income at a miniscule 1.7 per cent.

With the ODA objective only half achieved, these poorer nations have almost no hope of attaining the six per cent growth target. That will condemn them to so slow an economic advance over the decade that hundreds of millions of individuals within these countries will be able to detect virtually no improvement whatever in their desperately low standards of living. Their per capita incomes will rise by no more than two dollars a year.

Projected to the end of the century — only a generation away — that means the people of the developed countries will be

enjoying per capita incomes, in 1972 prices, of over $8000 a year, while these masses of the poor (who by that time will total over two and one-quarter billion) will on average receive less than $200, per capita, and some 800 million of these will receive less than $100.

The deficit in development assistance will penalize the poorest countries the most. But even for those developing countries which are somewhat better off, a deficiency in ODA will cause serious economic and financial problems.

Publicly guaranteed debt in the developing world currently stands at about $75 billion, with annual debt service of approximately $7 billion. Debt service payments rose by 18 per cent in 1970, and by 20 per cent in 1971, representing twice the average rate of increase over the 1960s, and reflecting a hardening of the terms of debt as the proportion of concessionary aid in the total flow of external assistance to developing countries declined.

growing debt problem

Given the shortfall in ODA, and the growing debt problem, it seems clear that the World Bank Group should try to continue to expand its operations. If we were to fail to make this effort, our developing member countries would be driven to an even greater dependence on higher-cost, shorter-maturity sources of external capital with the inevitable exacerbation of their debt-servcing burdens. They would have little choice, for without a reasonable flow of external finance they simply cannot meet even minimal development requirements.

For the Bank Group to relax in its resolve to do everything it feasibly can to assist in this situation would be to shirk our central responsibility: to recommend those policies, provide that technical assistance, and help finance those projects which will most effectively support our developing member countries' own struggle to advance the welfare of their people.

With careful planning and your support, we are convinced that the Bank Group can obtain the necessary funds to continue to expand its operations during a Second Five-Year Programme. And that is what we propose to do.

As an overall goal, for the period FY 1974-1978, we propose to increase our financial commitments to our developing member countries by an average of 11 per cent a year, and to shift an increasing percentage of these commitments to International Development Association credits.

If we can achieve this expanded level of operations — and I am confident that it is possible — it would mean that the World Bank Group would help finance, and provide technical assistance for some $50 billion of capital improvements in our developing member countries during the Second Five-Year Programme period. This would be in contrast to $30 billion of such projects from 1969 to 1973, and $13 billion from 1964 to 1968.

II

Given the unfortunate shortfall in ODA, the consequent aggravation of the debt problem, and the procrastination of the developed countries in dismantling discriminatory barriers to trade from the developing countries, the Second Development Decade's six per cent growth target is not going to be met by many nations and is going to be an exceptionally arduous task for many others.

But let us suppose that it were in fact to be accomplished by 1980.

Would that achievement, in itself, guarantee a significant advance in the quality of life for the majority of the two billion people who live in our developing member countries?

The frank answer is no.

The answer is no because increases in national income — as essential as they are — will not benefit the poor unless they reach the poor.

They have not reached the poor to any significant degree in most developing countries in the past, and this in spite of historically unprecedented average rates of growth throughout the sixties.

To understand this, it is useful to distinguish between three broad categories of poverty in the developing world.

First, there is great poverty in these countries, generally rather small, which simply have very few resources — natural financial, or skilled — with which to promote growth. There is so little wealth in these nations that even if it were more equitably distributed, virtually everyone would still be very poor. These are the countries (there are 25, with populations totalling 140 million) which the United Nations has designated as the least developed and for which special measures of assistance have been approved.

Second, there are particularly impoverished regions in most of the larger developing countries — for example, the southern republics of Yugoslavia, the North East of Brazil, or the North East of Thailand. The integration of these regions into the more repidly growing

Projected Flow of Official Development Assistance Measured as a Per Cent of Gross National Product*

	1970	1971	1972	1973	1974	1975
Australia	.59	.52	.59	.59	.59	.60
Austria	.13	.06	.17	.19	.22	.25
Belgium	.48	.49	.54	.58	.62	.66
Canada	.42	.37	.48	.51	.55	.59
Denmark	.38	.43	.48	.53	.58	.64
France	.68	.68	.65	.65	.65	.65
W. Germany	.32	.34	.33	.36	.36	.38
Italy	.16	.17	.16	.16	.16	.16
Japan	.23	.23	.28	.32	.36	.40
Netherlands	.63	.60	.70	.74	.76	.78
Norway	.32	.33	.47	.56	.67	.75
Portugal	.61	.75	.45	.45	.45	.45
Sweden	.36	.45	.50	.56	.65	.71
Switzerland	.15	.12	.22	.26	.30	.32
United Kingdom	.37	.41	.41	.41	.45	.46
United States	.31	.32	.30	.28	.26	.24
Total	.34	.35	.36	.36	.36	.37

*Countries included are members of OECD Development Assistance Committee, accounting for more than 95 per cent of total Official Development Assistance. Figures for 1970 and 1971 are actual data. The projections for later years are based on World Bank estimates of growth of GNP, on information on budget appropriations for aid, and on aid policy statements made by governments. Because of the relatively long period of time required to translate legislative authorisations first into commitments and later into disbursements, it is possible to project today, with reasonable accuracy, ODA flows (which by definitioc represent disbursements) for 1975.

parts of the economy often poses difficult cultural as well as economic problems. These areas are, however, readily identifiable geographically, and it is possible to devise and implement programmes specifically aimed at increasing the productive capacities and incomes of their populations.

persistent poverty

But it is the third category that is the largest, the most pervasive, and the most persistent poverty of all. It is the poverty of the low-income strata — roughly the poorest 40 per cent — of the total population in all developing countries. It is they who — despite their country's gross economic growth — remain entrapped in conditions of deprivation which fall below any rational definition of human decency.

This is not simply the poverty of a highly disadvantaged country, nor of a particularly backward geographical region in an otherwise rapidly advancing country. Rather, it is the poverty of those people widely dispersed throughout every developing country who, for whatever reason, lie beyond the reach of traditional market forces and present public services. It is the poverty of those masses of the population which current government policies do not adequately encompass, and which external assitance cannot directly reach.

This poverty of the poorest 40 per cent of the citizenry is of immense urgency since their condition is in fact far worse than national averages suggest. Our studies, for example, indicate that:

> In 10 countries, with per capita incomes averaging $145, the poorest 40 per cent of the population receive a per capita income of only $50.
>
> In another 10 countries with per capita income averaging $275, the poorest 40 per cent of the population receive a per capita income of only $80.

What we are dealing with here are problems that are difficult to grasp in their concrete, day-to-day realities.

When we reflect that of the more than half a billion persons living on the Indian subcontinent, some 200 million subsist on incomes that average less than $40, year, how are we to comprehend what that really implies? The estimate is that if India were to depend exclusively on the growth of national income to solve its massive nutrition problems, it would require more than 30 years before the poorest third of the country could afford an adequate diet.

When we reflect that of the two billion persons living in our developing member countries, nearly two-thirds — some 1.3 billion — are members of farm families, and that of these there are some 900 million whose annual incomes average less than $100, what frame of reference are we to call on to make that fact meaningful?

To many in the affluent world, to be a farmer suggests a life of dignity and decency, free of the irritation and pollution of modern existence: a life close to nature and rich in satisfactions.

That may be what life on the land ought to be. But for hundreds of millions of these subsistence farmers, life is neither satisfying nor decent. Hunger and malnutrition menace their families. Illiteracy forecloses their futures. Disease and death visit their villages too often, stay too long, and return too soon.

Their nation may be developing, but their lives are not. The miracle of the Green Revolution may have arrived, but for the most part, the poor farmer has not been able to participate in it. He simply cannot afford to pay for the irrigation, the pesticide, the fertilizer — or perhaps even for the land itself on which his title may be vulnerable and his tenancy uncertain.

lack of education

His nation may have doubled or tripled its educational budget, and in the capital city there may be an impressive university. But for 300 million children of poor farmers like himself there are still no schools — and for hundreds of millions of others if a school, no qualified teacher — and if a qualified teacher, no adequate books.

His nation may be improving its communications, and jet aircraft may be landing at its international airport in increasing numbers. But for the poor farmer who has seldom seen an airplane, and never an airport, what communications really means — and what he all too often does not have — is a simple all-weather road that would allow him to get his meage harvest to market when the time is right and the prices are good.

Let us be candid.

What these men want are jobs for their survival, food for their families, and a future for their children. They want the simple satisfaction of working toward something better: toward an end to misery, and a beginning of hope.

We are not talking here about a few maladjusted discontents.

We are talking about hundreds of millions of desperately poor people throughout the whole of the developing world. We are talking about 40 per cent of entire populations. Development is simply not reaching them in any decisive degree. Their countries are growing in gross economic terms. But their individual lives are stagnating in human terms.

What can be done?

That is the question I want to explore with you now.

One must begin by analyzing the policy options which are generally proposed. They represent clearly conflicting schools of thought.

One view is that governments in developing countries should make rapid economic growth the first objective, and that income redistribution and increased employment can be achieved later through fiscal and institutional changes.

Others argue that the growing pressures of poverty are so overwhelming that their widespread relief should be the central objective of development strategy, even if that entails major sacrifice in the pace of overall growth.

Of course it would be comforting to continue to believe that there is no conflict between rapid overall growth and comparable improvement in the incomes of the poor. But, unfortunately, in the real world in which we live, the evidence suggests that there is.

There is a natural tendency for growth to be concentrated in the modern sectors of the economy with little current benefit to the lowest income groups. What data there are — while admittedly incomplete —indicate that this pattern of growth has developed in many countries.

irrelevant conflict

But if few dispute the fact that there exists some conflict between maximization of growth and the rapid reduction of poverty, many argue that in the long term the conflict is irrelevant since it can — given sufficient time — be resolved. In the long term, rapid growth will increase productivity, and furnish the resources which can be redistributed to those who cannot yet be accommodated in the high-productivity, high-wage, modern sector.

The same view holds that even in the shorter term — in a decade, say — it is possible at least to reduce the conflict between rapid growth and more equitable income for the poor by shaping an economy which provides the proper incentives, which prices labour and capital correctly, which strengthens the fiscal system, and which emphasizes the right adaptive technologies.

But although this argument is correct

as far as it goes, it doesn't go far enough. A decade may be the short term for a development planner. But a decade is the long term for a subsistence tenant farmer whose children are most likely to die before the age of five, whose diet is already so inadequate that he cannot stave off chronic ill health, whose illiteracy limits his future ability to learn new skills, and whose perpetual indebtedness to the money-lender and dependence on the land owner leave him neither options nor hope.

On the other hand, one must recognize that if a government were to initiate policies to increase the income growth of the lowest 40 per cent of the population — with a view to assuring that, at a minimum, their share of the nation's overall economic growth does not decline as it has in the past — there are legitimate questions as to what the impact of such policies would be on the rate of overall national growth. Would it seriously hamper it? Would it prevent it altogether? What precisely would happen?

equitable distribution

There are at least three possible consequences of economic policies directed to more equitable income distribution which are thought to hamper growth. They are: reduced entrepreneurial incentives; lower savings rates; and the choice of obsolete technology.

Let us consider these for a moment.

It is often suggested that wide disparities in income are necessary in order to provide entrepreneurial incentives. Without arguing whether such incentives are important stimuli to productivity, one can question the amount of incentives that is required to motivate the desired degree of effort.

In a study of the income disparities of 39 developing countries, in which the income of the wealthiest five per cent is measured as a multiple of the bottom 40 per cent, there is a wide range of differences among countries. There are eight countries in which the per capita income of the top 5 per cent is more than 30 times greater than that of the lowest 40 per cent. There are 16 countries in which the ratio is less than 15 to one.*

But the significant point is that when one compares these two sets of countries on their per capita growth performance during the 1960s, there is no discernible relationship between the size of the incentives and the rapidity of the growth. The average rate of growth of the group of countries with the greatest disparities was not significantly different from the group with the least. This indicates that there may well be substantial scope in the developing countries for moderating the highly skewed disparities in income without crippling the incentives to greater productivity.

Similarly, flexibility in the relationship between income distribution and the volume of savings available for socially productive investment may, in fact, be far greater than is generally assumed. While it is true that higher incomes permit a higher rate of savings, the real question is what becomes of those savings. If they are used for production of luxury goods to meet a demand pattern distorted by a skewed income distribution, it is questionable whether the high savings rate is, in fact, promoting any crucial national interest. If, on the other hand, a more equitable distribution of income results in a somewhat lower gross rate of savings, but more investment in the production of essential commodities, the lower rate of growth in national income may be accompanied by an increase in the incomes of the bulk of the population.

Finally, there is the question of the choice of technology. It is often asserted that rapid economic growth demands adoption of technologies which, by their very nature, penalise employment and perpetuate poverty. The argument is that unless the modern sector is so equipped, its inefficiencies will restrict the country's capacity to export and perpetuate a costly dependence on imports for even the most basic requirements.

modern vs traditional

But here again, the argument is oversimplified. The issue is not so much modern technology versus traditional technology. The real issue is efficient technology versus inefficient technology, and the essential question is how ought one to measure that efficiency. Efficiency as such is a relative term. A technology is efficient or inefficient relative to the resources one has available. In a labour-scarce, affluent, developed economy, the most efficient technology is capital-intensive and highly automated — it produces at the lowest cost per unit in terms of the scare resource: labo6r.

But in a developing economy, where lobour is abundant, and sophisticated skills are scarce, it is clearly inefficient to emulate technologies which lead to high costs per unit measured in terms of the scarce resource: capital. And yet that is the result when, in the rush to industrialise, developing countries subsidise capital by creating a structure in which foreign exchange is undervalued, credit is underpriced, and tax incentives misdirected.

If government policy were directed towards promoting a price structure which reflected the scarcity values of labour and capital more realistically, the technological choice would be different. The result would be greater employment, broader income distribution, and more competitive patterns of production of precisely those labor-intensive goods which labour-scarce affluent countries need, but cannot themselves produce inexpensively.

What, then, are we to conclude from this analysis?

The answer is that while we obviously do not know as much as we want to know about the relationship of more equitable income distribution to overall economic growth, we know enough to conclude that:

> It is possible to design policies with the explicit goal of improving the conditions of life of the poorest 40 per cent of the populations in the developing countries — and that this can be done without unacceptable penalties to the concomitant goal of national growth.
>
> Without specific emphasis on such programmes, there will not be significant progress in reducing poverty within acceptable time periods.

towards social equity

We know, in effect, that there is no rational alternative to moving towards policies of greater social equity.

When the highly privileged are few and the desperately poor are many—and when the gap between them is worsening rather than improving — it is only a question of time before a decisive choice must be made between the political costs of reform and the political risks of rebellion.

That is why policies specifically designed to reduce the deprivation among the poorest 40 per cent in developing countries are prescriptions not only of principle but of prudence. Social justice is not merely a moral imperative. It is a political imperative as well.

What, then, can be done to attack the problem of massive poverty within the developing world?

The first and obvious step is the political resolve to make the effort.

It is clear that in the end each country must make its own decision as to how and when to deal with its internal inequities. The problems of poverty are rooted deeply in the institutional framework, particularly in the distribution of economic and political power within the system. Outside agencies can assist but cannot solve such problems. It is governments that have the responsibility of essential domestic reform, and there is no way they can

*In the United States, the ratio is 5 to 1

escape that responsibility. To postpone reform on the grounds of political expediency is to invite political extremism. To remain indifferent to social frustration is to foster its growth.

Political will, then, is the first requisite.

Public understanding is the second. The fact is that all of us need a clearer perception of the problem. We need both more and better quantitative data on past and current trends in employment and in income distribution. And we need them urgently. I propose that the developing countries address this task of gathering income data, and that as a practical matter they set a target date of 1975 for a greatly expanded programme of censuses, sample surveys, and specific studies. The international agencies — our own included — can assist technically and financially, and provide a multilateral forum for this effort.

concrete policies

Third, all of us need to identify concrete policies and actions which can reduce the skewness of the income distribution. Admittedly, we are on the frontier of a new field of knowledge here, and we have far more questions than we have answers. But the urgency of the situation is such that we simply cannot wait until all the answers are in. We must begin now with what we know now. And we clearly know enough to at least make a beginning. If we make mistakes we will simply have to learn from them. But the greatest mistake of all would be for the international development community to sit back and continue to do in the future what is has done in the past: to ignore the probleme. It is the time for new approaches.

What ought they to be?

The first step should be to establish specific targets, within the development plans of individual countries, for income growth among the poorest 40 per cent of the population. I suggest that our goal should be to increase the income of the poorest sections of society in the short run — in five years — at least as fast as the national average. In the longer run — ten years — the goal should be to increase this growth significantly faster than the national average.

Given the intimate link between poverty and massive unemployment, unemployment and underemployment must be attacked head-on. With 20 per cent or more of entire populations already jobless or virtually idle — and with the population explosion pouring a growing stream of new entrants into the labour pool each year— unless policies and programmes are devised to absorb surplus labour into productive jobs, little can be done to improve the lot of the desperately poor. Job creation must therefore become a direct objective in itself. It will be necessary to organize rural and urban public works — the building of market roads; construction of low-cost simple housing, reforestation programmes; expansion of irrigation and drainage facilities; highway maintenance, and similar low-skill, labour-intensive, and economically useful projects. The Bank will assist in financing such projects.

Institutional reforms to redistribute economic power are critically required in many developing countries: land reform, corporate reform, tax reform, credit and banking reform, and many others. Continuation of the existing land tenure patterns, tax laws, and banking regulations will simply assure that the present distribution of assets and income will be perpetuated. The Bank will support reforms in these areas with technical and financial assistance.

Shifts in the patterns of public expenditure represent one of the most effective techniques a government possesses to improve the conditions of the poor. Too often these expenditures — on health, on transport, on water supply, on education, and on many other sectors — end by benefiting the already privileged far more than the mass of the disadvantaged.* This, in part, is because these services are more concentrated in the urban areas and better neighborhoods. But it is also a function of the greater participation of the highly privileged in the political process. Governments can best begin to shift public expenditure towards those who need it the most by initiating surveys on the effects of their current patterns of disbursement: where do the funds really go, and who benefits the most? The Bank will assist in such surveys and, based on them, will help design programmes, to be financed by it and others, which will improve the distribution of public services.

Finally, policies should be undertaken to eliminate distortions in the prices of land, labour, and capital. To underprice capital for the wealthy and make credit expensive for the poor; to allow liberal access to scarce resources for the privileged, and price them out of reach of the deprived, to provide subsidies for the powerful, and deny them to the powerless — these are wholly self-defeating approaches to development. Such policies lead a nation inevitably toward economic imbalance and social instability.

These, then, are the general measures which all of us in the international development community should move toward with all the urgency that we can command. We in the World Bank Group can assist our developing member countries in this effort, and we fully intend to do so.

III

Let me summarise and conclude the argument I have put before you this morning.

Current development programmes are seriously inadequate. They are inadequate because they are failing to achieve development's most fundamental goal: ending the inhuman deprivation in hundreds of millions of individual lives throughout the developing world.

Why are these programmes failing?

There are two overriding reasons: the affluent nations are not moving effiectively enough to assist the indigent nations; and the indigent nations are not moving effectively enough to assist the poorest 40 per cent of their own populations.

The affluent nations have, of course, their own domestic priorities. But their growing incremental income is so immense, their technological capacity so powerful, and their whole range of advantages so disproportionately gigantic, that no rational argument can be made for their refusal to do more to assist the disadvantaged nations.

Collectively, the affluent nations are currently providing only half the targeted. .7 per cent of their GNPs in the Official Development Assistance which will make so decisive a difference to the development efforts of the poor countries. These amounts of money are miniscule in light of the fact that the collective gross national products of the developed nations, which totalled $2000 billion in 1970, are expected to grow to more than $3000 billion in 1980.

The rich nations are not being asked to diminish their riches in order to help the poor nations. They are only being asked to share a tiny percentage of their continually increasing wealth.

Further, the rich nations are failing the poor nations — and themselves — in another critical respect. They are refusing to give the poor nations are more reasonable opportunity to trade fairly with them. Discriminatory trade restrictions on the part of wealthy countries are indefensible

*This is strikingly, illustrated in the access to public services, school enrollment ratios and the quality of education for instance, are almost informally higher in the higher income groups. And, in a sample of 20 developing countries the allocation of scarce foreign exchange was ten times greater for the importation of private cars then for public buses.

on two counts: they penalise the people of the poor countries, and they penalise their own domestic consumers. The trade problem is admittedly complex, but the essence of it is simple enough. The political pressures of special-interest groups in affluent nations are prevailing over the interests of the majority of ordinary citizens in rich and poor countries alike.

time to act

If the rich nations do not act— through both aid and trade — to diminish the widening imbalance between their own collective wealth and the aggregate poverty of the poor nations, development simply cannot succeed within any acceptable time frame. The community of nations will only become more dangerously fragmented into the privileged and the deprived, the self-satisfied and the frustrated, the complacent and the bitter. It will not be an international atmosphere conducive to tranquility.

The developed nations, then, must do more to promote at least minimal equity in the distribution of wealth among nations.

But the developing nations must do more as well.

Their internal equity problems are no less important than those of the international community at large. In the developing nations' pursuit of rapid economic growth, the poorest 40 per cent of their populations are being largely left beihnd.

It is becoming increasingly clear that the critical issue within developing economies is not simply the pace of growth, but the nature of growth. The developing nations achieved an overall average annual GNP growth rate of more than the targeted five per cent by the end of the sixties. But the social impact of that growth was so severely skewed, and the numbers of individuals all but passed by so absolutely immense, that the simple statistical achievement of that target was misleading.

Governments exist to promote the welfare of all of their citizens — not just that of a privileged few. Absolute egalitarianism is as chimerical as absolute laissez-faire, but what is certain is that absolute human degradation — when it reaches the proportions of 30 to 40 per cent of an entire citizenry — cannot be ignored, cannot be suppressed, and cannot be tolerated for too long a time by any government hoping to preserve civil order.

It would be naive not to recognise that that time in many quarters of the world is running out.

The task, then, for the governments of the developing countries is to reorient their development policies in order to attack directly the personal poverty of the most deprived 40 per cent of their populations. This the governments can do without abandoning their goals of vigorous overall economic growth. But they must be prepared to give greater priority to establishing growth targets in terms of essential human needs: in terms of nutrition, housing, health, literacy, and employment — even if it be at the cost of some reduction in the pace of advance in certain narrow and highly privileged sectors whose benefits accrue to the few.

Such a reorientation of social and economic policy is primarily a political task, and the developing countries must decide for themselves if they wish to undertake it. It will manifestly require immense resolve and courage.

politicians role

The task of political leadership in the wealthy world is to match that resolve and courage with a greater commitment to equity between their own affluent nations and the grossly disadvantaged developing nations.

I believe that no one within this forum would deny that the time for significantly greater social and economic equity both among nations and within nations has indeed come.

Given more than a million years of man's life on earth, it has been long in arriving.

Now that it is here we cannot escape asking ourselves where our responsibilities lie.

It seems to me that the character of our entire era will be defined by the shape of our response.

RECORDS AND STATISTICS

Editor : R. V. MURTHY

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The Gulf States

Jossleyn Hennessy

London.

The Picture as a Whole

THE PAST year had been a memorable one for the Gulf States. British withdrawal has hastened radical changes in traditional allegiances, now that independence has been achieved by Bahrain, Qatar and the Trucial States, six of which merged at the beginning of December to become the Union of Arab Emirates (UAE). The remaining sheikdom, Ras al Khaimah, has also since become a member of the federation. The transfer of power did not, however, go through smoothly because, on the last day of Britain's treaty obligations, Iran seized three islands, claimed by two of the sheikhdoms. The arrival of the Iranians on one of the islands, Abu Musa, was the outcome of an agreement with Sharjah, the Arab claimant to the territory, but the other, Great and Little Tumbs, were occupied by force. The bitterness towards Iran resulting may, however, be short-lived, although it did, at the time, provoke riots in the normally peaceful Emirates. The Union's attitude is moderated by the need to maintain traditional trading links with Iran, and the realisation that no good would come from recriminations against the substantial numbers of Iranians living on the southern shore of the Gulf.

The political changes in the area bear heavily on its economic potential. Tension will remain between Arab and Iranians, but internal conflics have been an equally serious threat to stability. These are, however, diminishing. Differences between rulers in Abu Dhabi and Dubai have been resolved for the present, while the traditional rivalry between Bahrain and Qatar should not impede their independent development.

Throughout the area oil is the predominant source of wealth, but it cannot be expected to solve all difficulties. A mild recession, especially in Kuwait, beginning about two years ago, caused some appraisal of development plans and encouraged attempts to diversify industry. Such changes can, however, occur only slowly and although commerce already plays a major role, overall growth will continue to depend on the production and the price of oil.

Kuwait

Ruler: H.H. Sheikh Sabah Salem Al-Sabah

Exchange Rate: 0.86 Kuwait Dinars=£1

Business activity picked up significantly last year after 18 months of unexpected slack. Although a growth rate of some seven per cent was recorded in 1970, this was a recession phase for the normally booming Kuwait economy. The impact of this may, however, have been greater psychologically than physically; it is now apparent that the immense wealth from oil concessions attracts heavy commitments and, although Kuwaitis still enjoy one of the highest gross national product per head in the world, they realise that funds for development are not unlimited. Even with all its oil revenues the government has managed to achieve a budget deficit by pledging large sums to the Arab cause, draining the exchequer to an extent that resulted in a deficit of KD36 million in 1967-68 and only a small surplus of KD5 million and KD3 million in 1968-69 and 1969-70 respectively. A tighter menetary policy led to a reduction of consumer demand which should have been anticipated; many businesses found themselves overstocked and have only recently expanded orders again. The aid pledged to Arab states has now become established as a budgetary expenditure which would be difficult to eliminate or even reduce. At home there are pressures from the many Palestinians who have settled in Kuwait to support the struggle against Israel while abroad the Arab world has come to expect funds from its opulent member. In 1970 an extra £12 million was contributed to Egypt in addition to £55 million already paid to both Egypt and Jordan to meet a pledge made at the Khartoum summit meeting in 1967. There is also a substantial flow of private funds to Palestine guerrilla movements.

restricted spending

Restrictions on government spending are also feared following reports that oil reserves are running down and that measures to maintain long-term viability are being considered. The dependence on oil is still overwhilming, despite recent efforts to diversify the economy. Over 90 per cent of the government's estimated income of KD540 million in fiscal 1972-73 is to come from royalties and taxes on the oil industry. The industrial sector, excluding oil and petrochemicals, provides little for the exchequer and accounts for only four per cent of gross domestic product. Cement, brick and asbestos plants are being developed with government aid, but the major expansion will be in petroleum intensive industry. Already at Shuaiba, a village to the south of Kuwait city, a petrochemical complex has been established with an oil refining capcity of some five million tons a year. One of the by-products, sulphur, is used by a fertiliser producing company which also makes ammonia, urea, and ammonium sulphate for export.

financial activity

While this growth will help to broaden the economy, it is thought that developments in monetary affairs offer greater prospects. The government is particularly anxious to promote financial activity, and itself aims to set up a capital fund from royalty payments to provide income when petroleum supplies are exhauted. Oil reserves are thought to be between 65,000 and 75,000 million barrels, some 99 per cent of which lies in the Kuwait Oil Company's Burgan field. At a present rate of output of more than 1,000 million barrels a year and allowing at least an annual six per cent growth rate, the government estimates that the oil wells will run dry in five years. If all royalty payments were saved, between 6,000 and 8,000 million Kuwaiti Dinars would be

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accumulated over the next 25 years so that eventually there might be sufficient capital to provide an investment income to replace oil receipts. However, an alternative policy, the restriction of output, proposed in a bill represented by two deputies earlier this year, may be introduced, but one long-term danger in this is that it is always possible that the importing nations may discover new sources and types of fuel. On the other hand, following particulary from the Tehran agreement and subsequent negotiations to remedy the depreciation of the dollar, there is an upward trend in oil prices which could mean that the benefit from future sales is greater than the return on moeney saved. Incresed oil prices are important whichever policy is followed and, although Kuwait has been realistic enough not to press as strongly as many other oil producing states, it must be glad that demands have been made so forcefully.

Alternative economic activities can only slowly replace the oil wealth, althoguh the growth of the banking system has been remarkable, based on the heavy cash flows arising from the oil payments. Deposits are such that only some 40 per cent, about KD140 million, is absorbed locally while foreign assets are about KD450 million. Restrictions on banking, including a seven per cent ceiling on interest rates on loans, have not hindered this growth, but institutions to channel funds into economic development are still needed.

The immediate outlook is one of steady improvement. The longer term problems are sufficiently distant to prevent any qualms regarding the state's viability, which is endorsed by the World Bank's recent decision to offer a $60 million bond issue denominated in Kuwaiti Dinars. The reserves increased from $204 million to $307 million in the twelve months to February, 1972 — not bad going!

Oman

Ruler: H.H. Sultan Qabis bin Said
Exchange Rate: 1 Rial Saidi=£1

The Sultanate of Oman is among the most backward of the Arabian states. The dicovery of oil has not had the dramatic effects on economic development found elsewhere in the Gulf, nor is a rapid transformation expected to come about in the near future. The one significant step taken since oil was first exploited commercially in 1957 was the overthrow in July, 1970, of Sultan Zayid Said bin Taimur by his son, then aged 28, a Sandhurst graduate whose outlook is more in line with that expected of a twentieth century ruler. He has pledged to use a far greater proportion of the oil revenues for development but, despite this more liberal attitude, some 40 per cent of the 1971 budget of £55 million was allocated to defence.

The government's dilemma arises from the relative shortage of funds, which are needed both for social development to win support from the mainly tribal population of between 750,000 and 1,500,000, and for the armed forces to fight against communist guerrillas. The new government has solved some traditional grievances but Chinese and South Yemeni backing makes the rebels in the southern provinces of Dhofar a formidable threat to security, although recent measures taken by the Omani forces may succeed in strengthening the government's position. Troops are reported to have cut off the rebels' supplies from across the border while it is also claimed that they have been cleared out of large areas of the province.

There have, however, been some economic achievements. Thanks to the Tehran agreement, oil payments for 1971 were expected to exceed £50 million, from which some £27 million was used for development; e.g., primary schools, hospitals, electricity and water supply systems, and new port facilities in Muscat town. The dependence on oil revenues is overwhelming, so that a fall in oil production from about 17 million tons to 16 million in 1970, owing to declining well pressures, caused some dismay. Estimates of reserves are not published but are possibly no more than 2,000 million barrels, which would be exhausted in only 20 years at present rates of output.

Developments have caused a rapidly increasing demand for imports. In 1971 Britain supplied over £13 million of goods, of which about half was machinery and transport equipment. The market should continue to expand but the high cost of defence and the need to reduce dependence on oil clouds the future.

Union of Arab Emirates

Ruler: H.H. Sheikh Zaid bin Sultan Al-Nahayyan

The withdrawal of British forces from the Gulf at the end of last year posed particularly serious problems for the former Trucial states which, because of their size, would have been vulnerable both economically and politically as separate entities. In order to survive, numerous attempts were made to establish a federation among nine of the states in the area. Lengthy negotiations between the rulers caused growing impatience in two of the stronger states, Bahrain and Qatar, which eventually chose to become independent separately, leaving all but one of the remaining sheikhdoms to form the union of Arab Emirates early in December last. The achievement was marred, however, by the Iranian invasion of Great and Little Tumbs which caused resentment throughout the Arab world, although it has not prevented Tehran from formally recognising the Union.

The new federation comprises Dubai, Abu Djabi, Sharjah, Umm al Qaiwain, Ajman Fujairah and Ras al Khaimah. The last named, which claims the Tumbs islands joined the Union in February, having remained aloof from neighbouring sheikhdoms until the invasion. One benefit from the Iranian take-over could be to reduce internal differences. Dubai and Abu Dhabi, the wealthiest and most populated states in the union, have traditionally been economic competitors, while the political rivalries of the two rulers for a time hindered federation. The control of the new government has had to be carefully balanced; Abu Dhabi's Sheikh Zayed is the first President while Dubai's ruler Sheikh Rashid, is Vice-President and the Dubai's Crown Prince, Sheikh Maktoum is Prime Minister. Business circles welcome the new political framework, which should, once the fury with Iran has abated provide stability for a prosperous future.

The UAE is not threatened by the same external pressures that undermined the short-lived Federation of South Arabia which was intended to unite Aden with other territories. Egypt is preoccupied with Israel and, closer at hand, Iran has shown a desire to maintain the *status quo* now that Iranian soldiers are dug in on the Tumbs Islands. This should lessen uncertainlty and discourage any ambitions Saudi Arabia might have towards UAE territories.

Unity depends to a greater extent on the federation's own defence forces, which consist of three separate groups, one with loaylties primarily to Abu Dhabi, another to Sheikh Tashic of Dubai and only the third, formed from the Trucial Oman Scouts into the Union Defence Force with allegiance to the UAE as a whole. There is a single command, the Union Defence Ministry, but internal unrest could occur; already there has been an attempted *coup* in Sharjah, which was thwarted mainly because of local Bedouin and police support of the defence force but the ruler, Sheikh Khaled, was killed and his palace occupied.

Abu Dhabi

Exchange Rate: 1.14 Bahrain Dinars=

Abu Dhabi's oil wealth far exceeds t

of all the other states combined, causing an economic imbalance between the rulers which may sometimes be difficult to reconcile. However, the country's annual income, expected to reach £300 million in 1973, is the area's main source of financial viability and, in order to aid the poorer members of the Union, a Fund for Arab Economic Development was established in July, 1971. A wide variety of projects are already being assessed in Abu Dhabi, including cement, sulphur and aluminium plants, a refinery and the manufacture of petrochemicals. Oil revenue: have also provided the finance to build roads to Dubai and the Qatar, extension to the harbour and airport, and a BD 4.2 million sewage disposal system.

Market conditions have improved gradually, bringing greater optimism to commerce and banking; the impetus has sprung mainly from the prospects in the oil industry, where revenues are expected to reach some $1,000 million in 1975 following a doubling of the present output of nearly one million barrels a day.

Dubai

Exchange Rate: 11.45Qatar/ Dubai Ryals =£1

The only other oil producing Emirate in the Union is at present Dubai, but the output of some 4.3 million metric tons in 1970 was only about one-eighth of Abu Dhabi's total. New reserves have been proved, however, extending from the offshore Fateh field, and when, by 1973, improved facilities are in operation output should treble to 300,000 barrels a day. A £33 million programme provides for two underwater storage tanks similar to a prototype reservoir which lies 60 miles offshore on the seabed and holds half a million barrels.

Oil is not Dubhai's only source of wealth. Commercial activity assumes a major importance, particularly the gold bullion trade which thrives on shipments to officially unspecified destinations. About 85 per cent of imports are re-exported, notably to Iran and India, which maintain strong coast-patrols to prevent smuggling. Gold imports reached a record of more than £100 million in 1970, but recently the market has been restricted. During the Indo-Pakistan war the vigilance of the coastguards was increased while the price of silver, the usual means of payment for the contraband, dropped on the London market, thus reducing the incentive for such hazardous trade.

Imports other than gold in 1970 were also disappointing, rising to £82 million, only three per cent more than in 1969, but in the first six months of last year the total increased by 14 per cent compared with the same period in 1970. Britain was the leading supplier, accounting for about one fifth of the total; much of this may be attributable to capital equipment needed for projects undertaken by British firms, such as a new international airport which is now open. Some hospital and harbour projects may also be complete by next year.

new oilfields

Elsewhere in the UAE prospects hinge on oil exploration. Land concessions in Sharjah and Umm al Qaiwan have recently been relinquished by one oil company after two dry holes had been drilled. Sharjah does, however, have hopes that oil will be found in the vicinity of Abu Musa, an island now occupied by Iran. Sharjah has accepted the Shah's administration of this territory in return for an annual grant of £1½ million until the Emirate has an oil income exceeding £3 million a year. Any oil revenues from Abu Musa are to be halved. The territorial controversy is further complicated by a claim by Umm al Qaiwan, which has yet to be resolved.

In Fujairah, situated on the Gulf of Oman, oil exploration has also had little success. One dry hole has been drilled and both on shore and offshore concessions withdrawn. Hopes are higher in Ras al Khaimah, where so far, $13 million has been spent on exploration although the dispute with Iran has dampened prospects to a greater degree than the difficult geological conditions encountered by the first two test drillings. Had oil been found earlier, however, the Sheikh might not have applied to join the federation which, in the long run would have benefited neither the Emirate, itself, nor the Union as a whole.

In general there are few restrictions on imports into the Gulf states. In Kuwait there is a list of prohibited goods, but this is not extensive, while in Qatar it is necessary for all importers to be registered. Restrictions on the import of alcoholic drinks, firearms, and dangerous drugs are fairly widespread. There are no difficulties with payments for exports in any of the five countries, but the position should be watched.

Those requiring more detailed information are invited to contact Mr A.W. Connor of Barclays Bank Economic Intelligence Department.

Sources and acknowledgements : The foregoing summarises an exclusive report prepared by the Intelligence Department of Barclays Bank (54 Lombard St., London EC3P:3AH) kindly sent to me on your behalf, but the Bank is responsible neither for the emphasis of my summary nor for my interspersed comments, based on a variety of sources.



Common Market Clouds

E. B. Brook
Vienna.

TWO EVENTS lately have imparted sombre hues to the Common Market horizon. While the meetings of the International Monetary Fund and the World Bank are confirming what almost everyone knew — that there is no quick or easy solution to world monetary difficulties — the remote Norwegians have been the first to show the Common Market that its growth from a Six to a Ten is not to be taken for granted.

While the Norwegian plebiscite is not more than recommendatory, it is extremely doubtful if the Norwegian Parliament will now be able to gather the two-thirds majority decision necessary for it to carry Norway into the European Economic Community. It will be seen in a few days whether the Danes will follow their neighbour's example. If they do, and reject entry to the Market, these northern moves will put the Paris summit meeting fixed for October 19 in jeopardy and reduce the Market's expansion to little more than the almost forced accession of Britain.

In the UK itself, the psychological effect of a double northern rejection of the Market would certainly reinforce the protests of the very considerable number of citizens who feel that the expert parliamentarian Prime Minister has jockeyed them into an association of great expense and some risk to Britain, of which many of all shades of political opinions strongly disapprove.

moment of truth

The time, as the international monetary and political worlds move into a series of conferences on the vital subjects of monetary values, commercial associations and world security, is at the moment one of waiting, rather in the manner of boxers sitting in their corners before beginning their fight. It is useless to attempt forecasts: the time is too short before the moment of truth arrives and the situation is so fluid that almost anyone's guess is as good as another's — although there is plenty of guessing by all who consider themselves to be financial pundits.

More practical is it to examine briefly how the various components of what might have been the Ten, may be the Nine and will be presumably be at least the Eight look to one another as they prepare with varying degrees of wariness to come together more closely.

In a nationwide referendum held on October 2, Denmark opted for joining the E.E.C.

By the countries of the European continent the British have, generally, never been loved. They have had periods of popularity — notably when their armies have helped one or another continental state or group to overcome another — the late Paul Henri Spaak put it succintly when he remarked that the only Briton welcome on the continent was either a tourist or an allied soldier. The countries that regard themselves as the essential Europe — the centres of its politics and cultures — are France, Germany, Italy and the three Benelux states of Belgium, Holland and Luxemburg, at one time known as the Low Countries and at one time the Cockpit of Europe, fought over by Catholic and Protestant powers and emerging in this century as the most richly prosperous corner of the continent. The great Slav world of east Europe has always been a world apart, Scandinavia a distant northern area, Spain and Portugal largely on their own behind the Pyrenees and Britain a powerful, menacing World Power, but continentally, a group of islands with a mentality of its own foreign to anything essentially European.

Today Britain presents the picture of a World Power whose independent commonwealth countries are often mutually hostile of a country with nearly a million unemployed, steadily less valuable government paper and a currency that moves from one devaluation to another. In few European countries are internal political and social animosities sharper.

France, which prides itself on being the leader of European culture, has, as so often before, political scandals; a political system based on Presidential authority less democratic than any other state in western Europe; a concentration on national sovereignty that belies the sincerity of its support and advocacy of a European Community (i.e.) Common Market Agricultural policy and Community common currency. France's aim, as everyone realizes in Europe (not least the Norwegian voters) is de Gaulle's concept of a Europe of the Nations dominated by France.

This domination was emphasised twice in the 1960s by a rejection of Britain's application for Market membership, a lively factor in Heath's determination to get Britain into the Market by using all tactics of parliamentary manipulation to short circuit objections from all quarters The biggest dent in French leadership so far has been the floating of the pound and the delays and doubts about the Paris summit so far are a measure of President Pompidou's determination that the shapes of the European Monetary and European Economic Union shall be consistent with French wishes.

loss of influence

Federal Germany, facing a bitter general election and a vote on November 19, loses some of its great influence at a critical moment by its internal political uncertainties — although all W. German parties support Market membership and see in British accession a useful counterweight to French influence — the old European balance of power.

Italy, home of the Treaty of Rome but loftily described by de Gaulle as an associate rather than a member of the Market, has so far been the most subtle in taking advantage of all Market benefits and avoiding most of the Market disabilities. Since Italian governments change fairly frequently each Prime Minister is always able to claim he is new to the job and that his hands are clean. Italy, like W. Germany, welcomes Britain solely as a counterweight to France but continues to avoid introducing the Market's onerous Added Value Tax.

The Benelux countries are no longer the military Cockpit of Europe but have become the cockpit of the Common Market. Paris has become the great challenger to Brussels as the political centre of the Market. But Brussels has one great advantage: it offends nobody. It is conveniently at the point where Latin and German Europe meet and is not too far from the Anglo-Saxon world. It is near Rotterdam, the Market's largest port and Luxemburg, the Market's banking and legal centre. It is the capital of a country that, like Italy, has so many governments one after another that none can be held responsible for many of the national ill

or gain credit for many of its advantages. The British and the Germans strongly support Brussels as continuing to be the political centre as well as the administrative centre of the Market and President Pompidou is aware of the historic fact that Waterloo lies not very far from Brussels and is wary.

This, briefly, is how each Market component sees the others and Britain as the crucial dates of the Market summit on October 19 and of enlargement on January 1 approach and as the World Bank and IMF and experts everywhere offer solutions for world monetary perplexities and as the Danes prepare to cast votes which may decide whether there is in fact a summit or not. If the Danes reject the Market like the Norwegians the concept of a Nordic League including Iceland may be reproduced and the rump of EFTA further driven between its northern componponents and mid-Europeans. In any event, east Europe's Comecon apart, the world appears less clearly cut into groups than it did a month ago. In the long run, that may not be altogether a bad thing.

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The government of India has now confirmed that, in its Radical scheme of things there need be no linkage between bonus and profits. It may possibly follow that there need be no linkage either between bonus and production or productivity. From this it is clearly less than a giant's step to the proposition that bonus need not be related even to a question whether the plant or the company concerned is working at all or has closed down or been immobilized. At any rate, this appears to be the logic of some of the striking workers of the public sector fertilizer factory at Gorakhpur, who are being suspected of having resorted to sabotage and caused damage to machinery and equipment. Since we are living in strange times, the very fact that workers are prepared to put out of commission the plant at which they may be working could well be regarded by the powers-that-be as only dramatizing the genuineness or the urgency of their bonus demands.

The West Bengal gov- ernment has taken the somewhat unusual step of buying space in certain newspapers to advertise the present ministry's performance in various areas of government over the last six months. Elsewhere in this issue appears a discussion of some of the claims staked or points sought to be made in this advertisement. Here I would draw attention to the fact that this advertisement has appeared in the wake of public statements by the chief minister and some of his colleagues, expressing their resentment at or disquiet over what is alleged to be an attempt made in certain quarters or some sections of the press to propagate an unfavourable view of the functioning of the Ray ministry. It is rather surprising that Mr Ray or his advisers should have concluded that they can present their side of the picture only by spending tax-payers' money on bought newspaper publicity.

Mr Ray and his colleagues should in the ordinary course have been able to obtain legitimate publicity for the constructive activities of their administration through normal reporting in the press. A government, whether state or central, gets numerous opportunities from day to day for projecting its performance through the newspapers, the radio or other media of communication. If the present ministry in West Bengal is not satisfied with the opportunities naturally open to it for educating the public, could the reason be that Mr Ray and his colleagues feel that what the ministry has been doing or has failed to do needs to be specially explained or defended? It does not speak well of the ministry's confidence in itself or its appreciation of its standing with the public that only after six months in office, it has found it necessary to publicize or defend its record through paid advertisements in the press.

I have always regarded with considerable scepticism 'sob stories' which have been appearing for some time now in various newspapers about the hard times facing the last of the ICS men as the day for the final dismantling of the steel frame comes closer. Quite clearly — and speaking generally—these men are not of the stuff of sheep being led to slaughter. I was therefore not altogether surprised when the announcement came a few days ago that one of these allegedly doomed ICS men, Dr Nagendra Singh, presently Secretary to the President, had been appointed the next Chief Election Commissioner. *The Hindustan Times* notes "Dr Singh who is a member of the Indian Civil Service has been appointed for a five-year term. He was due for retirement under a Bill recently passed by the Parliament abolishing the privileges of the ICS. But the retirement from the ICS will not affect his five-year tenure (in his new office)."

Let me not be misunderstood. Dr Singh is a very distinguished public servant indeed and there could be little doubt that he will make a highly satisfactory Chief Election Commissioner especially against the background of the record of his predecessor in that office. What I am trying to suggest is that most of the retiring ICS men will most probably be retained in public service in one form or the other because the government of the country stands to benefit from their expertise or experience. A few of them will also be able to look after themselves because this, after all, is what they have been doing all along. Some, however, may fall by the wayside and if they do, this may not be due in all cases to lack of the special merit that deserves preferment even after superannuation. Among the men that are well and truly retired, there will be not a few who would merely be paying the price of their independence or integrity for having attempted to serve their country rather than their political masters.

The election of Mr P. S. Narayana Prasad as the Indian government's Executive Director on the International Monetary Fund will be welcomed by such of us in the country as have been following his remarkably successful career as an international civil servant. Mr Prasad was an early protege of Mr C.D. Deshmukh in the Reserve Bank; later he was equally successful in finding favour with successive boss-men at the IMF or the World Bank. The ability to be on the right side of the right man at the right time, however, only partly explains his progress. Although Mr Prasad is no economist's economist, he has the gifts of common sense and sound judgment and a rare capacity to provide leadership to colleagues or institutions. There have been from time to time reports—none very serious—that he might give up foreign pastures and return to India to cultivate more modest gardens. However, no one knew better than Mr Prasad himself that, having become accustomed abroad to high five-figure salaries in tax-free dollars, he would be a misfit on the Indian scene.

In other ways too Mr Prasad would have been uncomfortable in the New Delhi milieu since service outside India had spared him the necessity of cultivating those arts and graces of Radical opportunism or opportunist Radicalism without which it would be hard going in Mrs Indira Gandhi's court or counsels. As a matter of fact, as the first Director of the UN Asian Institute for Economic Development and Planning, Bangkok, Mr Prasad himself had constituted into something of a minor Moghul, a process which was no doubt helped by the fact that the more elderly members of his staff, in constant fear of their contracts lapsing, would always make it a point to address him as "Bapuji". At Washington, in the IMF, however, India certainly stands to gain in having Mr Prasad as its Executive Director at this stage in the restructuring of international monetary arrangements or relations. Mr Prasad has both the international standing and a life-time experience of economic diplomacy to be able to represent and promote effectively this country's point of view or its interests.

VB

Japan Makes its Presence Felt

Reviewed by Academicus

Japan's Relations with Southeast Asia: 1952-60: K.V. Kesavan; Somaiya Publications Pvt Ltd, Bombay; 1972; Pp 243; Price Rs 30.

Monetary Politics in India: S. S. Mittra; Vora & Co. Publishers Pvt Ltd, Bombay; 1972; Pp 250; Price Rs 25.

Soviet Economics: Michael Kaser; World University Library, London; Pp 256; Price 35s net.

N.M. Joshi—Servant of India: V.B. Karnik; United Asia Publications, Bombay; 1972; Pp 280; Price Rs 30.

Politics and Social Sciences: Edited by Seymour Martin Lipset; Wiley Eastern Private Ltd, New Delhi; Pp 328; Price Rs 6.

The Indian Economy Under Planning: Nabagopal Das; The World Press Private Ltd, Calcutta; 1972; Pp 140; Price Rs 18

The author of *Japan's Relations with Southeast Asia* has made an attempt in this book to study Japan's relations with two South-east Asian countries, namely the Philippines and Indonesia.

There is no doubt that the re-emergence of Japan as an independent sovereign nation in April 1952 was an extremely significant event in the far eastern politics. Japan was yet to find her bearings in the new post-war political structures in southeast Asia consisting of countries like the Philippines, Indonesia and Burma who had become independent and were imbued with a strong sense of nationalism. Japan was looking forward to carve out a place for herself in this region.

a vital link

According to the author, Japan's image in south-east Asia was affected by two factors. First, the devastation of the World War II had left intense bitterness in the region against Japan which was responsible for it, though Japanese occupation of some countries in this region had in a way hastened the movement towards their freedom, especially in Indonesia, if not in the Philippines. The second factor that influenced Japan's image in this region was the cold war politics of the period. By 1947-48 there was growing realisation in the USA that it would not be advisable to weaken Japan any further economically because Soviet Union posed a greater threat against which Japan might be used as a counter. In the words of Dean Acheson Japan becomes "a vital link in the defence perimeter that ran from the Aleutians to the Philippines."

Dullesian concept

Once the concept of peace crystalized, the USA made vigorous attempts to give effect to it. She exhorted the countries of south-east Asia to show a greater degree of awareness of the new threat which the Sino-Soviet bloc posed not only to them but also to Japan. John Foster Dulles argued that it was imperative to save Japan from falling a victim to the communist bloc because he feared that a combination of Japan, China and the Soviet Union would form a formidable danger for the whole of the Pacific and the south-east Asian regions. The Dullesian peace therefore sought to bring Japan closer to the south-east Asian region by means of security and economic ties. The US policy aimed at guaranteeing the countries of the South-east Asian region against any possible military resurgence of Japan and at the same time to protect those countries as also Japan against the Sino-Soviet bloc. As for economic ties, Dulles hoped that his peace arrangements would at the same time bring Japan closer to countries in the south-east Asian region. Dulles believed that the Philippines and Indonesia could provide enough trade opportunities to fulfill the needs of Japan.

Naturally while the American statesmen were making vigorous efforts to bring Japan closer to south-east Asia, the Sino-Soviet bloc pursued policies which aimed at thwarting the American efforts. The Soviet bloc contended that USA— Japan Security Pact would only clear the path for Japan again to overrun south-east Asian region. These tacties of the Sino-Soviet bloc continued throughout the period under study here. According to the author, the interplay of these two factors — the legacies of the Second World War and the exigencies of cold war politics — shaped the attitudes of the Philippines and of Indonesia during the period under study. Though there was ideological affinity between Japan and the Philippines, it was more than outweighed by the bitterness of the memories of the war in the Philippines, while Indonesia, though much less emotional, tended to look at Japan only in terms of her ideological affinity with the USA.

The efforts of the Japanese government to promote relations with the south-east Asia in general and with the Philippines and Indonesia in particular during 1952-60 might be said to have passed through two phases. The first phase covered broadly the period from 1952 to 1956 and the second the years of Kishi's premiership from February 1957 to July 1960. The only difference in policy was that during the first phase, attempts to improve relations with these countries were made from a position of weakness, whereas during the second phase, they were made with a sense of national strength and self-confidence.

winning the confidence

During the entire period of study here, Japan's efforts seem to be mainly concentrated on winning the confidence of the south-east Asian countries. There appears no direct Japanese involvement in any of the outstanding political issues of the region. Japan's initiative in the rehabilitation of Indonesia after the fall of Sukarno is also worth noting. At present Japan appears to be more interested in increasing economic involvement in the region. Japan seems to have learnt the supreme lesson of how to wait.

The book presents excellent analysis of Japan's relations with the Philippines and Indonesia. But it would have been better if the author were to spread his canvas a little wider and were to attempt to trace the relationship of Japan with other countries of the region. Also, in a book published in 1972 there

was no reason why the author should have stopped at 1960. The Japanese policies still appear to be in the process of formulation and as Japan's role is bound to influence the development in all spheres in the south-east Asian region in years to come, a close and critical watch on the evolution of Japanese policies with countries in this region is of paramount importance. As an attempt in that direction, this book by K.V. Kesavan with all its shortcomings is extremely welcome.

MONETARY POLITICS

S. Mitra decided to write *Monetary Politics in India* long ago in 1957 when B. Rama Rau, the then Governor of the Reserve Bank of India tendered his resignation and said, "I have served this great institution to the best of my ability. I hope that someday some historian will try to find out if I did make contribution." S. Mitra who was then a member of the research staff of the Reserve Bank of India decided to be that historian. The author has embarked on this study with the ultimate aim of providing a suitable framework of relationship between the central bank and the government in developing countries.

The author has sought to find out the potential areas of harmony as also conflict between the Reserve Bank and the government and enquire why all the conflicts between the government and the Reserve Bank have not led to the resignation of the Bank's officials.

The author is of the opinion that in so far as the promotional role of the Reserve Bank of India is concerned, the potential of conflict between the Reserve Bank and the government is generally slight as both aim at establishing banking and credit institutions essential for rapid economic development of the country. But a wide area of potential conflict exists when the Reserve Bank aims at maintaining price stability while the government wishes to accelerate the rate of economic growth through methods of financing which generally lead to inflation.

In dealing with the subject of conflicts between the Reserve Bank and the government the author makes a distinction between 'normal' differences and 'serious' conflicts. Normal differences may arise from honest differences between the two regarding the degree of price stability which must be maintained and the relative weightage which must be assigned to different national objectives. According to the author, serious conflicts arise if and when the Reserve Bank insists upon maintaining its autonomy while the government begins to pursue its objective of economic development in complete disregard of the basic tenets of monetary management or again when the personalities of the Bank administrators and of the finance minister are totally incompatible.

The author has suggested the following model to be followed by developing countries in the sphere of central bank-government relationship. He feels that the government and the central bank can work in harmony provided they observe the following rules. First, the government must have complete confidence in the central bank. The central bank in turn must recognise the fact that it is the government that is answerable to the public. Secondly, while maintaining cordial relationship with the government, the central bank must express its views candidly and should see that its voice on the subject of monetary policy is heard with due respect. And finally, the government should on its part be content with just setting down the broad guidelines of the country's monetary policy and leave its implementation to the central bank, without interfering with the central banks' responsibilities for the day-to-day monetary management. The author rightly feels that only by strictly adhering to these basic principles can the government and the central bank of developing countries work towards the national objective of rapid economic growth with reasonable price stability.

role of pioneers

Along with the main subject of central bank-government relationship, the author has analysed in detail various incidental topics such as the evolution of central banking, consitution and working of the Reserve Bank of India, the evolution of the monetary policy of the Reserve Bank of India since 1935 to 1965 and the role of the pioneers in Indian monetary politics like Sir Osborne Smith, Sir Games Taylor, C.D. Deshmukh, Benegal Rama Rau, H.V.R. Iengar and T.T. Krishanamachari, whose two sins according to Taya Zinkin, were vanity and vindictiveness which resulted in the resignation of Sir Benegal Rama Rau from the governership of the Reserve Bank of India. All this background helps very much to understand how the conflicts arose between the Reserve Bank and the government. The pen portraits of the above personalities are extremely absorbing and one gathers the impression that very often it was the conflict of personalities (especially during the tenure of T.T. Krishnamachari as the finance minister) that was responsible for the conflicts between the officials of the two institutions. The model which the author has suggested for developing countries in the sphere of central bank-government relationship is in very general terms and one doubts whether that would adequately provide the proper framework for avoiding conflicts between the two. While reading the book one gathers the impression that there is too much of padding with material that is often incidental and which the readers find in abundance in any standard book on the subject of the Reserve Bank. This means the main topic could have been dealt with adequately in a longish essay, instead of devoting a whole book to it.

SOVIET ECONOMICS

The USSR is second only to the USA as an industrial power; but it is notable that it manages its economy without the aid of market mechanism that is common to the USA and most of the developed countries of the west. Naturally the question how the Soviet economy is managed is of great significance not only to the students of Soviet affairs but to the students of economics in general.

Hardly a century ago Russia showed all the forms of ownership referred to by Marx-slavery, feudalism and capitalism. The new Soviet state broke away completely not only from the old politics but also from the old economic institutions and practices. *Soviet Economics* with the help of illustrations, pictures and graphs, describes how Soviet planning is derived from 'Marx's economics, Lenin's revolutionary elite and Stalin's autocracy', and shows how the crude techniques of the first two five-year plans were evolved before the government could draw upon the sophisticated analysis of the modern economic processes published in 1930s — by Keynes in England, Kantorovich in the USSR and Leontief in USA.

The author has shown how Marx made extremely few references to planning under socialism and according to the author there is evidence that Marx expected a market to assure microeconomic congruity. The Soviet authorities abjured the use of market in their centralisation of decision-making. The Soviet authorities also abrogated certain tools helpful to the achievement of macroeconomic equilibrium; but they did not intentionally seek disharmony. The enuciation of a socialist 'law of planned, proportionate development' and the concern in Soviet planning literature with 'proportions' make it clear that the strategy of the leading sector — Stalin's choice of steel and fuel — was, in more recent terminology unbalanced, but not disequilibrated growth. In the Soviet context, nevertheless, the leading sector was a microeconomic, rather than macroeconomic allocative principle.

There were, according to the author, numerous hindrances chiefly of information regarding transformation and preference functions (i.e. how resources could be combined to achieve particular sets of supplies) which prevented the Soviet authorities from establishing a plan in macroeconomic equilibrium. It was

such constraints on information which in practice precluded microeconomic integration. In the absence of market signals, consumers were not in efficient relation with producers. This, according to the author, induced two changes in the management mechanism. In the first place, the plan itself become less a piece of macroeconomic co-ordination than a coalescence of microeconomic proposals inadequately tested for internal consistency. Use of an input-output table to verify these aggregations began only in 1963. But this reaction was of less significance than the second, that is the derivation of overall coherence from an arbitrarily determined increment of production.

taut planning

The two relevant features of planners' behaviour have long been identified under the concepts of the 'taut planning' and the 'ratchet principle'. The first is said to exist when output targets are imposed upon production enterprises which require either exactly or more than, what is planned in inputs (in materials, fixed capacity or manpower). The ratchet principle describes the practice of making an automatic addition to the annual production plan in lieu of an examination by the superior authority of production possibilities, and (in the absence until 1966 of a rate of interest or a capital-related profit levy) of control over the use of installed capacity.

Taut planning and the ratchet principle were only attenuated (and not renounced) in the reforms of 1966-67 as they operate on economic cohesion in two different and hence self-regulating directions, the one inducing a sellers' market and the other a buyers' market. Taut planning implies producers' goods rationing and a retail price level which just falls short of that required to clear the market. Institutionally there is a state allocation service (Gossnab) to distribute producers' goods, paralleled by the informal mechanism of the *tolkachi* as go-betweens and the consumer choice (as distinct from consumers sovereignty) for consumer's goods, paralleled again informely by *spekulyanty*. Qausi-automatic increments in plan targets constitute an inbuilt mechanism for tightening demands for inputs and at the same time an assurance that all outputs will be absorbed, since they can be stored against future upward clicks of the ratchet. It should be noted that Soviet control over inventories has been as inadequate as it has been rigid over fixed capital.

The opportunity for the enterprise manager to trade off his degrees of response to taut plan or ratchets (through the multiple choice among targets facing him, each of which has attached some reward by bonus) furnishes the matching mechanism at microeconomic level. It explains why swollen intermediate consumption, waste and unused capacity — symptoms of a buyers' market — co-exist with their opposites, derivative of a sellers' market.

There are many outside USSR and some within, who expect progress in resolving these problems to be in the direction of a self-regulating price mechanism. These views have been collectively dubbed as the convergence school. Reflections upon the pattern that the Soviet economic mechanism may present in future can be firmly founded on an assumption of centralised political control by the Community Party. It appears that although Karl Marx took the economic base to be the determinant of a political superstructure, it is the reverse which prevails in the USSR.

This is a book for the fairly advanced students of Soviet economy combining as it does fairly advanced theory with practical illustrations from the various sectors of the Soviet economy. The author has vividly brought out the nature of the inner contradictions and conflicts which the Soviet economy is facing as also the methods which are being devised and employed to solve these problems.

N. M. JOSHI

Late N.M. Joshi is well-known at home and abroad as the father of trade union movement in India. Brought up in the tradition of M.G. Ranade and G.K. Gokhale, N.M. Joshi was a great liberal and was active in the spheres of political and social activities in the country. He played a prominent part in the co-operative and social reform movements and as a member of the central legislative assembly secured the passage of a number of labour laws. V.B. Karnik, the author of N.M.Joshi is himself a worker of long standing in the field of trade union and was in intimate contact with N.M. Joshi for long. It is therefore in the fitness of things that Karnik decided to write the biography of his mentor in the field of trade unionism.

Karnik has described the family and childhood of N.M. Joshi in Kokan and his education in Poona where he was influenced by the writings of people like Agarkar, Ranade and G.K. Gokhale rather than by teachings of Tilak and Chiplunkar.

N.M. Joshi joined the Servants of India Society in 1909 and with that commenced his public life under the direction of G.K. Deodhar. Joshi always acknowledged with gratitude his great debt to the Servants of India Society.

The author has described in detail activities in the Social Service League in Bombay, as a member of All India Trade Union Congress which was established in 1920, as a member of the Central Legislative Assembly where he specialised in labour problems and as a member attending sessions of International Labour Organisation. In fact his association with the I.L.O. began in 1919 and continued till 1948. He was also invited to attend the Round Table Conference as a delegate representing Indian labour.

From this biography one gathers the impression that N.M. Joshi was a liberal, a rationalist and a humanist deeply interested in the upliftment of Indian labour and gave the best years of his life to the cause which he embraced.

N.M. Joshi's active and devoted life to the cause of Indian labour contains enough material to make an interesting and readable biography. It is therefore extremely disappointing to see that a close colleague and an experienced writer like V.B. Karnik has completely failed to accurately portray the picture of Joshi. The author is ill-equipped both literally and artistically to write this biography. Filling the pages with objectives of different associations, with extracts of speeches and parts of resolutions introduced or passed, unless properly integrated with the activities of the person whose biography is being written makes extremely dry and poor reading. No where does the author succeeds in creating interest in what he is writing, whether it is about the Servants of India Society, the Social Service League, the INTUC or N.M. Joshi. N.M. Joshi clearly deserves a biography and though for V.B. Karnik this book is a labour of love, it certainly is not a work of art, not even enjoyable reading. It is a dry catloguing of mostly official doings in the life of an interesting and devoted personality.

POLITICAL SCIENCE

The study of politics has fluctuated between the analysis of political institutions as key agencies of social control and social change, and the analysis of extra-political factors which influence political institutions and events. In a real sense these two emphasis differed about whether society or polity is primary. Since the study of non-political institutions ultimately constituted the content of various social science disciplines such as sociology, economics, psychology and anthropology, the issues of the relations between the study of politics and other social sciences has always existed from the start of intellectual interest in such matters.

Politics and the Social Sciences is the outcome of an effort at the 1967 meetings of the American Political Science Association "to assess the state of the links between political science and the other fields." It is to be noted that while the approaches

of the various contributions vary considerably, the different essays do add up to a comprehensive discussion of the values and liabilities of interdisciplinary collaboration for political scientists.

Ronald Cohen has pointed out that efforts to bridge different social disciplines run the risk of encouraging dilettantism. He has emphasised that those who have not been trained in a given field do not understand the subtleties or the complexities of its approach. Another difficulty according to Cohen is that practioners of different fields try to subsume the problems of other disciplines under their own theoretical framework

theories of personality

Greenstein and Greer have argued that basically there are only two theoretical levels of social science analysis: the sociological and the psychological. According to them therefore political science becomes the application of sociological and psychological analyses to the study of the behaviour of government and other political structures. In making his argument, Greenstein, however acknowledges that personality theory and other branches of psychology have as yet made little effective contribution to political analysis. He believes that a more extensive investigation of the impact of psychological variables on a variety of political behaviours would contribute to a more thorough understanding of politics. Rogow has also pointed out in his essay that among the reasons why psychological approaches have not been as influential as they would wish in political analysis is the imprecision of the theories of personality and the fact that psychology itself has not come to any agreement about how to characterise personality or how to resolve differences concerning competing models.

Greer in his essay on sociology and political science presents the most coherent case for the existence of a general social science approach or theory within which political science appears as the field which deals with the political-governmental aspects of society. Thus, according to the author, "The existence of different social sciences must be seen not as variations in basic epistomological strategies, but as functions of historically changing differentiating actual social institutions." Sociology therefore reflects the growing recognition of the need for concern with social integration, including economy and polity. We are now, according to the author, at a point where all social sciences must operate with a common conceptual scheme and vocabulary.

Although all contributors to this volume are in principle committed to inter-disciplinary co-operation among various social sciences, Mitchell and Sartori as political scientists point to the intellectual autonomy of the field of politics by emphasing how the political environment and political inputs, parties, governments, voting and the like determine behaviour. They point out that much of political sociology and political behaviourism have emphasised the impact of social factors or of psychological variables on politics. But they also point out that if politics is to be merely considered as the dependent variable to be explained by various sociological and psychological factors, then there is no real justification for an independent science of politics. Sartori has effectively argued that the sociology of politics has underplayed politics as such, because in the past the sociologists have ignored political variables such as constitutions, electoral systems and ideological groupings into political parties as sources of political and social behaviour. He would move from the sociology of politics to political sociology, the latter meaning the fusion of the two sets of variables rather than assuming as the sociologists do that the social structural variables are the independent factors, while the political variables are the dependent ones.

As the editor has pointed out, the issues implicit in any effort to discuss the relations between political science and other social sciences are not fully resolved in the essays in this volume. According to S.M. Lipset, the editor, whether political science can or should attempt to formulate analytically distinct theoretical system remains an open question. Anyway the ageold issue of the primacy of the state or society, while no longer stated in these terms, points out the concern at present of the sociologists for the political.

The ten essays in this volume exploring and evaluating the growing influence upon the study of politics and political science of related social disciplines bring out clearly contemporary thinking on the subject and since inter-disciplinary aproach is becoming more and more popular these days, those interested would do well to read these essays carefully as they throw much light on the various issues and complexities involved in evolving and adopting an inter-disciplinary approach.

INDIAN PLANNING

Dr Nabagopal Das is quite well-known in the academic field and is a reputed author who has written more than half-a-dozen books some of which have already been reviewed in these columns.

What has been the progress recorded by India on the economic front since planning commenced in 1951? What has been the cost of those achievements? Has the progress been satisfactory? If not, what have been the barriers and obstacles which have been holding up India's rapid progress? what are the prospects in the light of our past experience? These are all absorbing questions which have been analysed and answered by numerous authors, Indian and foreign all these years. And yet the problems are so important and vital to India that they need a continual and critical review which is the justification of *The Indian Economy Under Planning* by the author.

Writing about the aspirations of underdeveloped countries the author has emphasised that while at least until the time of Marx, the problem of economic progress was studied with a measures of philosophical detachment, after World War II the matter has been characterised by a high degree of urgency. Granted that quick economic development is possible and essential, how is this to be achieved? Most of the underdeveloped countries have opted for economic planning as an answer to the problem. It is for this reason, according to Dr Das, that Indian experiment in planning is of concern not only to herself but to all the countries of the world which cherish freedom and democratic values.

lack of motivation

In dealing with economic growth, the author has examined the handicap that is often mentioned namely lack of motivation which is basic to any kind of material progress. Then there is the caste system which is traditionally considered as another barrier. But the author is of the opinion that the drag on production in India is due neither to the so-called other-wordly attitude nor to the Hindu caste system and untouchability. It is the result of such factors as sheer malnutrition, massive unemployment and generally bleak economic future caused by rising tide of population. According to the author, "Paradoxical as it may seem the drag on production, particularly in the industrial field, is due not so much to the presence of traditional values but to the infiltration of western ideas. Labour unrest, and workers' demand for a larger share of the product of industry unaccompanied by an equivalent increase in productivity have been responsible, to no small extent, for the fall in industrial production. As a matter of fact, in areas where the traditional "family type" relationship still obtains between employers and workers, production has suffered no setback."

Writing about 'Planning in Practice', the author among other things, observes that the important thing is to get the economy moving forward, at a pace which makes possible significant annual increases in average per capita income; the question of how the results should be distributed

could be left until there was something substantial to distribute, and that of who should own to assets, until proprietorship became as important as productivity. At times the government appeared to accept this case; at others, fearful lest it should be accused of insufficient ideological fervour, to reject it. This ambivalence is writ large in the pronouncements of congress leaders and of the government.

On 'Unemployment and Poverty' the author has pointed out that a point which is often lost sight of in all discussions on unemployment is that faster economic growth does not necessarily lead to larger employment. There appears to be no positive correlation between economic growth and employment, at least in the short run. This means that there is "need for specific programmes to tackle unemployment and to regulate technological changes in particular sections, especially in the urban areas."

About Green Revolution, Dr Das has pointed out various problems which have arisen namely the emergence of a new class of landgrabbers and social tensions etc, etc. but concludes that "The emergence of the hope, based on sound formulations of modern agricultural science and technology, is itself a great revolution."

dilemma of flexibility

Two essays on the public sector contain excellent analysis and are extremely thought-provoking. Writing about the dilemma of 'accountability' and 'flexibility' in management of public enterprises, author states that to arrive at a working balance between freedom and accountability, is an exer ise in the art of government. Regarding profitability, the author wonders why the cost of production of steel in the three public sector undertakings with up-to-date machinery should be higher than that in private sector enterprises with old machines and technology. If the argument is that public enterprises are burdened with non-earning assets like township and other social assets, so are some of the private enterprises which are showing satisfactory rate of profit. Also labour disputes characterise both the types of enterprises and not just the public enterprises. This means that these are some deep-rooted causes responsible for poor performance of public enterprises in India. The author points out these causes as unsuitability of government procedures and methods, wrong methods of enforcing accountability, frequent turnover of top management, sense of exasperation and frustration caused by frequent ministerial and parliamentary interference and lack of clear-cut policy goals. The cornerstone of a successful industrial policy in a mixed economy is our efficiently managed public sector. If public sector enterprises are to become a major vehicle of industrial growth and also if they are to act as a strong countervaling power to monopolies in the private corporate sector, concentrated efforts must be made to increse productivity in public enterprises and improve their costing, pricing and research policies.

Witing about the business community in India the author has warned that many private sector enterprises still acquiesce in inefficient production and infrior teehnology. Also, private sector growth has taken place in a highly protected market which means that it has a special responsibility to society, particularly to consumers.

achievements and failures

The author's article on "The Balance Sheet" is an excellent review of the achievements and failures of Indian planning since 1951. Yes, the achievements of Indian planning have certainly been impressive. For example agricultural production has increased from 50.8 million tons in 1951-52 to 107 million tons in 1970-71 and non-food production from 13.6 million tons to 22 million tons during the same period; the average yield per hectare has increased from 660 kg in 1950-51 to 1.299 kg in 1970-71. The range of production has expanded conderably and includes items such as industrial plants, sophisticated electronic equip ment, military aircrafts and tanks. The Indian economy today has a far-reaching infrastructure—roads, railways, power generation and facilities for training and research. There has been considerable increase in exports and improvement in balance of payments. The GNP has increased both at current prices and in real terms. In real terms, the increase in GNP has been from Rs 8,850 crores in 1950-51 to Rs 18,678 crores in 1970-71. What is significant is that all this has been achieved largely by India's own resources. Over the entire three Plan period, 78 per cent of the investment has been made by India and only the rest was provided by international organisations and friendly nations by way of loans and grants, mostly loans.

Remarkable as these achievements are, they conceal many disquieting features. Thus though there has been substantial increase in the production of wheat and millets, the improvements has not been marked in respect of other foodgrains and commercial crops like cotton, jute and oilseeds. In the field of industrial production the progress has not been uniform. There has been considerable unutilised capacity in many private and public sector industries and the performance of public enterprises leaves much to be desired. The rate of increase in GNP and in per capita income are disappointing, even comparing with certain Asian countries, not to speak of developed countries of the west. Per capita availability of foodgrains has gone only from 15.5 to 16 ounces per day and consumption of cloth has actually come down from 14.71 metres per annum in 1956 to 12.81 metres per annum in 1971. There has been considerable increase in unemployment, rising from a backlog of 1.1 million at the end of the first Plan to 16 million in 1968. It is tragic that no significant dent has been made on India's poverty and destitution even after twenty years of planning. There is enormous black money in circulation and disparities in income continue to grow and the socialist pattern of society is nowhere in sight. Exports have not been rising fast enough and about 30 per cent export earnings represent concealed taxation on domestic consumers. While the desire of the government to have a higher rate of economic growth by stepping up investment is understandable, there is all these years a wide gap between promise and performance and the rate of saving has been actually coming down these last two or three years and so has been the flow of foreign funds into the country. The private sector performance is causing anxiety and inflationary price rise since 1956 has proved to be the headache of all as it is rapidly undermining the value of Indian currency. The author rightly feels that it is high time that the 'costs' of India's development were analysed and sorted out because the evaluation studies of the Planning Commission are basically arithmatical exercises of performances projected against planned targets.

pragmatic approach

What does the future hold? According to the author, there are a few 'musts' to which Indian planners and the government must pay careful attention. Prices must be contained which is the most important basic necessity to generate confidence among all. The performance of various public sector undertakings must be improved and they must become the purveyors of surpluses to the national exchequer instead of being a drag on it as at present. Further, favourable climate must be created for the enterprises by removing archaic regulations and creating sense of security and confidence among entrepreneurs which means the government approach will have to be more flexible and pragmatic. The current obsessions of the government with monopoly and concentration of economic power must give way to a more realistic approach based on obvious economic laws and facts. It is only big size that can ensure reduction in costs and prices and make cheap goods available to people as also promote ex-

ports. And finally according to the author, n regard to taxation, it should be so adusted as to permit growth and not inibit it as at present, for it must be reaised that economic growth can yield much nigher revenue even at the existing rates of taxation, particularly in the field of corporate and personal taxation. The author rightly concludes that "while the objective of socal justice should certainly be pursued, the basic importance of growth must not be lost sight of...Growth alone can create the conditions necessary for the achievement of distributive justice; mass poverty and mounting unemployment cannot be tackled without a higher rate of economic growth."

In less than one hundred and fifty pages, Dr Nabagopal Das has packed abundant information and just the vital and indicative statistical details which are really helpful. The analysis is critical and for most part objective. Altogether the book gives within a small compass a critical review of the economic landscape that India has covered since 1951 and charts the way for the future pointing out at the same time the pitfalls and the barriers against which we will have to be cautious. The students of economics especially at the graduate and post-graduate level would do well to read this book carefully and ponder over it. The efforts will be amply rewarded.

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EASTERN ECONOMIST

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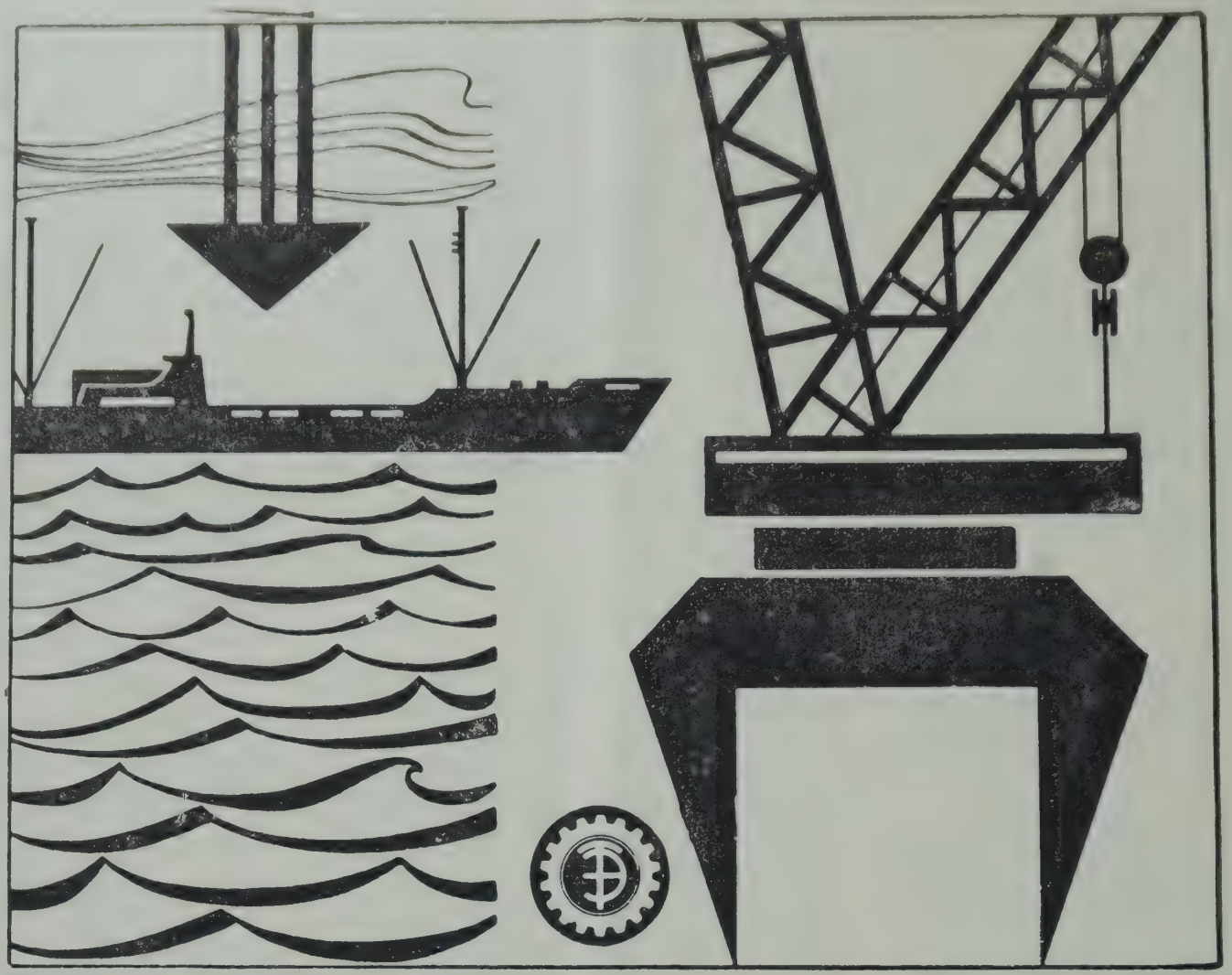
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TRADE WINDS

Fund Bank Meet

"WHEN WE reflect that of the more than half a billion people living on the Indian subcontinent, some 200 million subsist on incomes that average less than $ 40 a year, how are we to comprehend what that really implies?" Mr Robert McNamara, President, the World Bank, asked at the annual meetings of both the World Bank and the International Monetary Fund. Instead he said, the time had now come for "direct action" in which governments must address themselves to "essential human needs" : nutrition, housing health, literacy and employment.

Speaking at the opening session, Mr Pierre-Paul Schweitzer, Managing Director, the International Monetary Fund, affirmed that there was considerable agreement throughout the world on general aims in reforming the international monetary system despite divergence of opinion on the ways in which the reform should be carried out. Among the points agreed on, Mr Schweitzer mentioned the need to avoid the risks of protectionism and of blocs centring on themselves, a bigger role for Special Drawing Rights and the necessity to work out a satisfactory method of setting the problem of international liquidities.

Towards the conclusion of the meet, Mr Schweitzer told delegates from 124 nations that the meeting had produced agreement that a concerted attack on reforming the shattered monetary system was necessary. A committee of 20 nations, including nine of the developing nations, was formed to carry out the reform of the international monetary system for the 124 nation membership of the International Monetary Fund. India was one of the developing countries on the list. The eleven other nations included Australia and the original group of ten industrial powers.

Kharif Procurement Prices

Consensus among the chief ministers of all the states who met recently in New Delhi under the chairmanship of the union Minister for Agriculture, Mr Fakhruddin Ali Ahmed, was in favour of accepting the report of the Agricultural Prices Commission in toto. The Commission had recommended an increase of Rs one to two in procurement prices for paddy and a procurement target of four million tonnes for rice and 0.6 million tonnes of coarse grains.

Norway No Denmark Yes

Norway voted in a nationwide referendum to keep their country out of the European Common Market. The Prime Minister of Norway announced that he will resign along with his cabinet. The 2.6 million voters said 'no' by a margin of 53.6 per cent against 46.4 per cent.

Denmark in a nationwide referendum held on October 2, 1972, opted for joining the European Common Market by an overwhelming majority.

Excise Rebate on Sugar

The union government has announced a detailed scheme of rebate in excise duty on sugar in order to encourage its production to meet the demand for sugar in the coming months. Under the scheme, a rebate of Rs 40 per quintal will be granted on the production of sugar in the months of October and November 1972 on the quantity in excess of that produced by any factory in the corresponding period in 1971. A rebate of Rs 20 per quintal will be allowed on the production of sugar in the months of December 1972 to April 1973 on the quantity in excess of 115 per cent of what any sugar factory produced in the corresponding period during the 1971-72 sugar season. In May and June 1973, production of sugar in excess of the quantity which any sugar factory turned out in the corresponding period of 1972 would be allowed a rebate of Rs 30 per quintal. A rebate of Rs 20 per quintal will be allowed on the production of sugar in July to September 1973 on the quantity in excess of that produced by any sugar factory during the same period in 1972. A rebate of Rs 40 per quintal will be granted in respect of new factories going into production for the first time in the sugar year 1972-73, i.e. on or after October 1, 1972 on the quantity in excess of 5,000 metric tonnes produced during the sugar year 1972-73. The government feels that with this scheme of rebates the sugar industry should be able to offer better prices for cane over the minimum prices already announced so as to achieve the optimum level of production in the coming year.

Sugar Sales

The union government has decided to eliminate wholesales in the sugar market and replace them by the Food Corporation of India, and has fixed a uniform levy sugar price throughout the country at Rs two a kilo from Oct 1, when the new sugar year begins. Because of administrative reasons, the new price will be higher than the levy sugar price in many of the 15 sugar zones in the country. But it will also benefit consumers in some other zones where the price now is more than Rs two a kilo.

IDA

India and the International Development Association, an affiliate of the World Bank, recently signed two credits totalling about Rs 118 crores ($158 million) to assist further industrial and shipping development in India. Mr Burke Knapp, Vice President of the Bank, signed for IDA, while Mr L.K. Jha, India's Ambassador to the United States, signed for the union government. The signing of the credits signals the start of flow of IDA credit to India in regard to these projects. The credits were approved by the Executive Director of IDA during the fiscal year ended June 30, 1972. However, they could not become effective because of the holdup of United States replenishment to IDA funds. With the approval by the US Congress of the replenishments, on the eve of the current Fund Bank meeting the way was cleared to the issue of the promised credit by IDA to India and to some of the other developing countries including Pakistan.

National Water Grid

Field investigations for the proposed national water grid in general and the Ganga-Cauvery link in particular are expected to be taken up at an early date. Addressing a news conference today, Dr K.L. Rao, union Irrigation and Power Minister, stated that these investigations and office studies would take anything between five and 10 years to be completed. Dr Rao said the government proposed to bring forward legislation in the next session of Parliament for declaring water as a national resource. This was imperative for a national water grid under federal control. The proposal was endorsed by the State Irrigation and Power Ministers' Conference at Srinagar in July and also by the United Nations team of experts who studied the

feasibility of a national water grid.

Sales Tax Administration

Problems of sales tax administration in northern India were discussed recently at a meeting attended by Finance and Revenue Ministers of UP, Rajasthan, Jammu and Kashmir, Haryana Punjab and Himachal Pradesh and the union territories of Chandigarh and Delhi. The meeting reviewed the 1965 decision relating to a differential in Sales Tax rates between Delhi and the neighbouring states. The consensus of opinion was that there was no justification for this differential and it was decided to discuss with Delhi Administration the question of reducing the incentives for tax evasion and harmonising the rates in the region. The meeting also decided to expand the list of luxury items from 15 to 31 and to levy tax at a higher rate on these items of luxury and conspicuous consumption.

Paraffin Wax Quota

The state governments have been allocated an additional *ad hoc* quota of paraffin wax equal to 15 per cent of their annual quota for meeting their increased requirements during the forthcoming Dussehra and Diwali festivals. Statewise allocation of paraffin wax is made by the government annually on an ad hoc basis keeping in view past consumption and indigenous availability. The distribution of paraffin wax to individual industries is arranged by the state governments. The Indian Institute of Petroleum has estimated that the demand for wax of all types during 1972 will range from 42,000 tonnes to 45,000 tonnes. The production of paraffin was alone is likely to be more than 45,000 tonnes. In addition, slack wax from Barauni and Madras refineries is also being marketed.

Excise on Fuel Oil

The union government has decided to withdraw excise duty on fuel oil when used as feedstock for fertilizer production. The excise duty on fuel oil is Rs 113.00 per tonne. This is in pursuance of the policy that feedstock for indigenous fertilizer industry should be diversified and that the industry should move away from naphtha to other feedstock which are more likely to be available indigenously. Moreover it is an incentive to the fertilizer industry to change over from naphtha to fuel oil and simaltaneously bring down operating costs of fertilizer plants. Fertilizer plants being set up at Talcher, Ramagundum and Korba will be coal-based. The fertilizer plant at Haldia is to use fuel oil as feedstock. The Sindri Modernisation Sheme and the Nangal Expansion Scheme, when implemented will also be using heavy fractions from the Bongaigaon refinery and the Mathura refinery respectively for production of fertilizer. At present naphtha remains the most preferred feedstock for fertilizer and a substantial portion of fertilizer production is based on it. There may, however, not be enough naphtha to meet the requirements of fertilizer plants already operating or under implementation.

Hindustan Shipyard

The Hindustan Shipyard Limited, Visakhapatnam has made a gross profit of Rs 109.85 lakhs during the year 1971-72 as compared to Rs 27.61 lakhs in the previous year. After providing Rs 37.2 lakhs for depreciation and Rs 13.69 lakhs for net interest on the drydock loan, the net profit for the year works out to Rs 58.93 lakhs, compared to Rs 5.70 lakhs in the earlier year. The yard has, thus, made 10 times more profit in the year 1971-72 as compared to the last year. The turnover of ship repairs had substantially increased during the year and amounted to Rs 109.30 lakhs as against Rs 8.82 lakhs during 1970-71. Such a large turnover on repairs and docking charges had become possible due to the full occupation of the drydock from the date of commissioning and the simultaneous docking of three submarines for about three months during 1971-72. The revenue earned on ship repairs also included Rs 76.69 lakhs in foreign exchange. The yard had constructed and delivered during the year three ships besides a landing craft built for its own use.

Hindustan Housing Factory

The Hindustan Housing Factory earned a gross profit of Rs 33.84 lakhs in 1971-72 as compared to Rs 27.47 lakhs in 1970-71. The undertaking achieved an all time high production of Rs 2.37 crores as compared to the last year's production of Rs 2 crores. The factory has declared a dividend of 10 per cent and a bonus of 13.78 per cent on profits of the year 1971-72. The Hindustan Housing Factory is contemplating further expansion. Arrangements for starting a factory in Bombay in collaboration with Maharashtra Housing Board is now in an advanced stage. Negotiations are under way for taking up big housing projects in other states. The factory has standardized certain precast building components for roofing and flooring. It also manufactures furniture according to the requirements of the customer. The Hindustan Housing Factory has undertaken construction of precast concrete foot over-bridges at several places in Delhi.

Industrial Finance Corporation

The Industrial Finance Corporation of India has declared a dividend of five per cent, the maximum permissible under the IFC Act. The Corporation's annual report for the year ended June 1972, discloses a gross income of Rs 14.98 crores, compared with Rs 13.46 crores for the year 1970-71. The gross profit was Rs 4.84 crores. After providing Rs 0.48 crores for depreciation in the value of investments and Rs 2.17 crores for taxation, the net profit was Rs 2.19 crores. During the year 1971-72, the Corporation approved financial assistance of Rs 39.16 crores for 68 industrial projects against Rs 35.03 crores for 61 projects during the previous year. Of the projects assisted this year, 39 were new projects accounting for about 72·8 per cent of the total sanctions for the year. Industries which claimed substantial assistance were fertilisers, iron and steel, paper, electrical machinery, chemicals, automobile tyres, synthetic fibres, automobile ancillaries, metal products, glass, cotton textiles and sugar. The sanctions were spread over 15 States and 17 of the projects assisted this year would be located in districts notified by the central government as industrially less developed. Financial assistance for such projects aggregated Rs 14.10 crores, about 36 per cent of the total sanctions during the year.

Electric Power for Farmers

The union government has set up a committee under the chairmanship of Mr B.N. Kureel, Deputy Minister for Irrigation and Power to examine the difficulties faced by agriculturists and other consumers in rural areas with regard to electric power supply and to suggest remedial measures. The other members of the committee are Mr R.K Goswami, Minister of State for Power, Uttar Pradesh; Mr Mohammad Idris, Minister for Industries and Power, Assam; Dr J.N. Misra, Minister for Co-operatives and Electricity, Bihar; Mr Brajamohan Mohanty, Minister for Irrigation and Power, Orissa; Mr P. Venkatasubbiah, M.P.; Mr P.S. Kondaji Basappa, M.P.; Mr Bhaura, M.P.; and Mr P.S. Patil, M.P. Mr N. Venkatesan, Member, Central Water and Power Commission is the Member-Secretary of the committee. The appointment of the committee is in pursuance of a proposal made by the third meeting of the Central Electricity Consulative Council.

Inter-State Traffic

An agreement has been signed among eight states comprising the Western Zone to facili-

ate long distance inter-State raffic and introduce a compo-ite payment at one point. The ight states are: Delhi, Guja-at, Haryana, Madhya Pra-lesh, Maharashtra, Punjab, Rajasthan and Uttar Pradesh. The meeting was held here re-ently under the auspices of he Inter-State Transport Com-nission. The scheme will be n force with effect from Janu-ry 1, 1973. Under the Western Zone Permit Scheme, goods ehicles could operate over the ational and state highways in ny of the participating states r union territories without btaining counter signatures.

An operator will pay the Motor Vehicle Tax and he Goods Tax to the ome state and, in addi-on, pay a composite sum of s 700 per annum to each f the other signatory ate chosen for operation. n operator would be allow-d to choose a minimum of our states, that is, the home ate and any three other ates. The number of compo-te permits to be issued by ch signatory state will be mited to 200. The Scheme will e in operation initially for a eriod of two years.

Merino Sheep for Wool

This country has this year nported 2,680 Merino sheep, batches of about 330 each, om the USSR for the states Jammu & Kashmir, Uttar adesh and Tamil Nadu. As rt of a comprehensive sheep d wool development pro-amme taken up in different ates through crossbreeding, import of 10,000 sheep of e wool varieties—Merino om USSR and Rambouillet om USA—is envisaged in the urth Plan. Last year, 2,581 ambouillet sheep and 3,090 erino sheep were imported. ey were supplied to State eep Breeding farms in mmu & Kashmir, Himachal adesh, Gujarat, Maharash-a, Uttar Pradesh, Rajas-an and Mysore for produc-on of stud quality males. e Merino sheep species from SSR are well known both for their productivity and fine quality wool.

Indo-Bangla Rivers Commission

The second meeting of the Indo-Bangladesh Joint Rivers Commission was held recently in Dacca. Besides reviewing the decisions taken at the first meeting, the Commission discussed further areas of co-operation in the field of flood control and river development. The Indian team was headed by the Commission's Co-Chairman, Mr N.G.K. Murti. The Bangladesh team was headed by Mr B.M. Abbas, Chairman J.R.C. The Commission last met in Delhi in June and considered joint measures on flood warning and flood forecasting, cyclone warning and other short term problems and set up joint study groups for detailed examination of some specific problems. The study groups visited the problem areas between August 25 and September 4, and their recommendations were considered by the Commission.

Evaluation of Railways

The Railway Board has decided to set up a joint forum to provide for the free flow and exchange of ideas on the running and shaping of the enterprise of Railways. To be known as the Corporate Enterprise Group of Management and Labour (CEG), the forum will consist of Chairman, Members and Additional Members of the Railway Board, Secretary of the Board and three representatives from each of the two labour federations. The workers will be represented by the President and General Secretary of each federation and one member to be nominated by each of the federations. The Corporate Enterprise Group will evaluate the functioning of the Railways. It will exchange data and ideas on ways and means for improving efficiency and viability of the Railways. In particular, it will appraise the investment programmes in regard to housing and welfare services. The Group will also identify areas and devise action-oriented methods for maximising organisational effectiveness, the use of technology and towards building up the image of Railways as a service organisation. The CEG will, however, not discuss staff matters including those which come within the purview of the Permanent Negotiating Machinery and Joint Consultative Machinery.

Australia in Asia '72

A section of the Australian pavilion at Asia-72 in New Delhi will be devoted to a display featuring important aspects of Australia's role in the development of Asian countries and India in particular. A 42-feet long display panel eight feet high will illustrate Australian-Asian developmental projects, agricultural research and technical assistance.

The development of close ties between Australia and her neighbours has resulted, in many cases, from Australia's active membership of regional organisations such as the Economic Commission for Asia and the Far East (ECAFE). Australia has been a member since the commission's foundation in 1947. Australia's first 17 years of ECAFE membership were as a non-regional member. In 1963 Australia decided to identify more closelwith the countries of the region by applying for regional memy bership.

Names in the News

Mr J.V. Dehejia, has been appointed Country Manager India for ITT Far East and Pacific, Inc. He heads an all-local staff in the New Delhi office and will additionally be responsible for all ITT activities in Bangladesh, Nepal and Sri Lanka. **Mr K. K. Dhar,** the former Country Manager India, has resigned to enter private business.

THE RESERVE BANK —LOOKING BACK

This fascinating book is about the first sixteen years of the Reserve Bank of India. How the Bank came to be set up, what it did in the formative years, and how it dealt with the problems of war financing (1939-45), reconversion to peace-time economy (1945-47) and partition (1947-51) are vividly described, with plenty of background material and extensive extracts from official papers. The study is preceded by a comprehensive record of developments in money, banking and exchange in India for about a century.

Some copies of the 860-page book are now available for sale at Rs. 50 (postage extra). A discount of Rs. 10 per copy will be allowed on bulk orders for ten or more copies. A concessional price of Rs. 30 is offered to educational institutions, teachers and libraries.

Copies can be obtained from:

The Administrative Officer, Economic Department, Reserve Bank of India, Post Box No. 1036, Bombay 1.

COMPANY AFFAIRS

Hindustan Aluminium

THE ALLAHABAD High Court allowed the writ petition filed by Hindustan Aluminium Corporation Ltd challenging the UP State Electricity Board's notice threatening to discontinue the supply of power to the company if arrears amounting to Rs 2.63 crores were not paid within a fortnight. While allowing the petition the Judge upheld the petitioner's contention that there being a clear arbitration agreement between the parties covering the subject matter of the dispute, the Board had no jurisdiction either on the terms of the supply agreement of 1959 or under Section 24 of the Electricity Supply Act to disconnect the supply. The Judge further observed that under Section 18 of the Electricity Supply Act, the Board was bound to supply electricity to its consumers. In the present case the effect of disconnection would be to withhold the supply of electricity to the company.

Seshasayee Paper

Seshasayee Paper and Boards Ltd has received a letter of intent to increase its capacity by 15,000 tonnes to 50,000 tonnes of pulp and paper per annum. To avert the contingence of shortage of raw materials when the increased capacity is commissioned the company is at present engaged in exploring fresh sources of raw materials. Steps taken in this regard include a request to the Tamil Nadu government to allocate lands on which to grow fast growing soft and hardwoods which are dependable raw materials for making paper. Meanwhile the company has concluded a fresh agreement with the Tamil Nadu government for the supply of bamboos from state forests for a further period of six years. The company has to pay a higher seigniorage effective, from April 1, 1970 which will enhance the company's expenditure by over Rs 2 lakhs a year. The seigniorage now paid is however, subject to revision by the government on April 1, 1975. This was disclosed by the Chairman, Mr S. Narayanaswamy while addressing the annual general meeting of the company.

The chairman also drew pointed attention to the difficulties encountered by the industry in the implementation of its expansion programmes on account of the steep increase in the cost of plant and equipment. The capital outlay of an entirely new plant having a capacity of 100 tonnes per day, the chairman said, would be about four times that employed by the company such as the Pallipalayam unit which is producing 105 tonnes of paper and board per day. As the government has realised the urgent need to establish additional capacity in the country; the chairman pleaded for an increase in selling prices for paper and boards and granting of loans on soft terms apart from other incentives.

Justifying the maintenance of equity dividend at 12 per cent for 1971-72 the chairman said it was decided upon because of the compulsion to set aside in full for the minimum development rebate reserve required by law out of the year's profit and the desirability for generating enough internal resources in order to be in a comfortable position to execute the expansion schemes.

India Cements

As there is a large unsatisfied demand for cement, many new units and several programmes of expansion of existing units have to be implemented in order to be in a position to enhance production to over 21 million tonnes by 1974, which is likely to be even substantially higher if certain massive rural schemes are also taken into consideration. But all plans may go awry unless the basic retention price is increased and an expansion and rehabilitation allowance is added to it. It is also necessary to have the present system of differential retention prices and freight pool to ensure the availability of cement at a uniform price throughout the country. This was emphasised by the Managing Director, Mr K. S. Narayanan while addressing the annual general meeting of the company.

The immediate problem the industry, according to the managing director, is to maintain a minimum level of profit and to have a proper retention price. In this task the industry's efforts are hampered at every stage. With the withdrawal of the status of priority industry the tax burden on the industry has increased from 50.6 per cent to 55 per cent. Again the reduction in development rebate from 35 per cent to 15 per cent and with the abolition altogether in 1974, will also increase the burden of taxation on the industry. All this, on top of an already heavy burden of taxation on the corporate sector, such as the surcharge to mention but one cannot but lead to the practical impossibility of the industry generating internal resources for its normal maintenance requirements, let alone expansion. The industry is therefore compelled to seek external sources for meeting its expenditure which under a more equitable system of taxation and economic stability would have enabled it to be left with a sufficient margin, thus reducing the costs entailed by borrowing.

Although the company's units continue to operate at optimum capacity there has been a steady erosion of profits due to factors which are completely outside the control of the management. For instance with an installed capacity of 8.6 lakhs tonnes in 1966-67 the pre-tax profit was several times higher than in 1971-72 notwithstanding the fact that there had been nearly doubling of installed capacity during this period. The difficulties have arisen because of the continuous escalation in production costs and inadequate adjustments in retention prices.

Tata Power

Tata Power Company Ltd continues to render the highest quality of services to its consumers and at economical tariffs. But the working of the company during 1972-73 as well as 1973-74 would be affected adversely as a result of the failure of mansoon and the alarming low level of water storage in its lakes. Every effort is however being made to make up some of the shortfall by intensive operation of the four thermal units during the year. The company has also proposed to increase the power tariffs by 20 per cent to its licensees as well as high tension consumers from October 18 following a hike in the Maharashtra State Electricity Board's (MSEB) tariffs averaging about 20 per cent with effect from October 1, 1972. These observations are contained in the Chairman, Mr Naval H. Tata's annual statement circulated to the shareholders of the company.

Haphazard nationalisation or taking over the management of private electric utilities, in the chairman's opinion, was not conducive to overall national interests. As there is an alarming gap between supply and demand priority according to the chairman should be given to generating more power rather than to undertaking the

management of well managed and efficiently run existing units. Since the Tata electric power companies had maintained the highest standards of services to its consumers, the chairman hoped that they would be allowed to serve the public. In fact the three electric companies between them operate the largest grid in India and render best services to its consumers. The companies' record for the past five decades has been highly satisfactory. What is more they have been providing facilities for training of personnel and rendering consultancy services to other countries.

The chairman also observed that the management had always respected the government's objectives for industrial and rural development within the companies areas. In all matters pertaining to distribution, tariff and expansion of generating capacity the management had acted as if they were a part of MSEB's integrated grid to the mutual advantage of both. The companies in fact offered to place at the disposal of the government infrastructural facilities at the Trombay Thermal station for installing a new 500 mw unit and also to engineer, construct, commission and operate it on behalf of the government and integrate this further source of power into the existing grid under the control of MSEB.

Enfield India

The Enfield India Ltd has initiated the practice of sending interim statements to shareholders giving details relating to the function of different divisions. For the half year ended June 30, 1972, the sales were more than 25 per cent higher at Rs 3.95 crores against Rs 3.14 crores for the corresponding period of last year. The directors expect that aggregate turnover for 1972 will be higher by about 20 per cent at Rs 8.50 crores, subject to the power cut announced by the Tamil Nadu government, effective from October 1, 1972 not having any serious impact on production in the last quarter of the year. They have also stated that costs are increasing due to government levies on raw materials, linking of DA to the cost of living and other factors which are similarly beyond the control of the company.

The increase in sales is due to larger production and demand for both motorcycles and agro-industrial engines, the share of vehicles being Rs 2.78 crores against Rs 2.26 crores in the corresponding period of 1971 and agro-industrial engines Rs 1.10 crores against Rs 80 lakhs. The despatch of motorcycles increased to 5,769 units from 4,638 units and agro-industrial engines to 17,825 units from 11,684 units. The sharp increase in the latter group is due to a significant improvement in the demand for 34 c.c. engines which are fitted to Knapsack sprayers.

It is indicated that good progress has been achieved on the construction of new factory buildings and other facilities at Anaikaraipatti and trial production may commence early in 1973. The arrangements for financing this new project which is expected to cost Rs one crore have been completed and the whole scheme is being carried out in record time.

Larsen and Toubro

The supply of bulldozer attachments for Caterpillar earthmoving equipment in the country is no longer fully dependent on imports alone. Larsen & Toubro Limited has taken a recent step forward in import substitution by manufacturing this equipment locally. The bulldozer attachment in front of a tractor acts as a heavy workhorse in clearing virgin land, levelling uneven surfaces, building access roads, and wherever land development work is in progress. A major part of the bulldozer is made indigenously. Suitable for crawler tractors of 65 to 385 h.p., the assembly comprises blade groups, brace groups, C-frames, trunnions and hydraulic cylinders. The company plans, with further development of indigenous sources of supply, to reduce imported components to a minimum. Already 62 units have been manufactured and supplied by Larsen & Toubro to the agricultural and irrigation departments of various state governments notably of Maharashtra, Assam, Andhra Pradesh and Pondicherry.

News and Notes

Expansion and Diversification

Supreme Industries expects to shift the entire manufacturing activities to the new factory building under construction at Andheri by March next. It would then be possible for the company to streamline production and launch on further expansion. Last year three injection moulding machines were received and commissioned into production. The company's applications for capital goods for importing another machine and moulds is expected to be cleared shortly. Further steps are being taken to instal more machines in the new premises. The total expansion, estimated to cost Rs 57.5 lakhs, will be financed from internal sources and through loans but the company will approach the shareholders if it is found necessary to raise additional share capital. The project for the manufacture of 18 lakh pairs of 'Combination Footwear' had to be postponed as the terms and conditions of the 'letter of intent' were found to be very onerous. The company has been issued a letter of intent to produce 2000 tonnes of PVC pipes at UP and steps are being taken to implement the programme. Meanwhile planning for production of PVC pipe fittings has been taken on hand at the Bombay unit where tool room facilities and injection moulding machines are available.

New Issues

Punjab Breweries Ltd, promoted by Punjab State Industrial Development Corporation, is setting up a modern brewery for manufacturing 50,000 hectolitres of beer per annum at Dhandari near Ludhiana. The company has an authorised capital of Rs 1.25 crores — Rs one crore in equity shares and Rs 25 lakhs in preference shares — and an issued and subscribed capital of Rs 37.56 lakhs. The present issue is for Rs 67.44 lakhs, out of which equity shares worth Rs 15.74 lakhs have been reserved for firm allotment to the Punjab State Industrial Development Corporation and Rs 6.70 lakhs to East India Hotels. The remaining capital of Rs 45 lakhs comprising 200,000 equity shares of Rs 10 each and 25,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each will be offered shortly to the public for subscription. The capital outlay on the project is estimated at Rs 2.10 crores which will be met by the share capital of Rs 1.05 crores, term loans of Rs 65 lakhs and bank borrowings of Rs 40 lakhs. The Skoda (India) Pvt. Ltd, an Associate of Skoda, Czechoslovakia, will be collaborating with the company in this project. If all goes well as planned, the project is expected to go on stream by the first quarter of 1973.

Steel Complex Ltd, a joint sector company, is setting up a mini steel plant near Feroke Kerala, with a licensed capacity of 50,000 tonnes of mild medium carbon and spring steel billets per annum. The construction of the factory has commenced and orders for most of the indigenous equipments have been placed. The government has agreed in principle to release the necessary foreign exchange for the import of plant and machinery from the sterling loan from the UK. The erection of the first electric arc furnace is expected to be completed by March 1973. Until the continuous casting machine is installed the company proposes to produce billets through ingot casting. The company has an authorised capital of Rs 5 crores and an issued, subscribed and paid-up capital of Rs 76 lakhs in equity shares issued to promoters including West India Steel Co. Ltd and its associates and Kerala State Industrial Development Corporation. To raise further resources for the implementation the company will soon be making a public

issue of Rs 74 lakhs, all in equity shares of Rs 10 each. The capital cost on the project is estimated at Rs 3.27 crores and it will be financed through the share capital of Rs 1.50 crores while debentures and loans will be raised from financial institutions to the tune of Rs 1.77 crores.

S.I.F. Steel Ltd. is setting up at Bhavnagar a Rs 87-lakh plant the first of its kind in Gujarat, for the manufacture of steel structurals and mild steel wire rods with an annual capacity of 40,000 tonnes. The plant is expected to go on stream by August 1973 and achieve a turnover of Rs 1.50 crores by 1973. The turnover is expected to cross the Rs six-crore mark in the following year. To raise part of the resources required for the implementation of this project the company will be offering for public subscription equity shares worth Rs 60 lakhs divided into six lakh equity shares of Rs 10 each. According to current indications the company is expected to enter the capital market by the end of this year or early January 1973.

Capital and Bonus Issue

Duke and Sons Private Ltd, Bombay, has been given consent for issue of bonus equity shares worth Rs 7,50,000.

The Gaekwar Mills Ltd, Bombay, has been accorded permission for the issue of Rs 10 lakhs as bonus shares to the existing shareholders.

The Chemiequip Private Ltd, Bombay, has been given consent for issue of bonus shares worth Rs 2 lakhs divided into 200 fully paid equity bonus shares of Rs 1000 each.

Gujarat Automotive Gears Ltd, Baroda (Gujarat), has been permitted for issue of securities of the value of Rs 35 lakhs in the form of equity shares. Out of this, Rs 17.15 lakhs will be offered to the public by prospectus.

Johnston Pumps India Ltd, Calcutta, has been accorded consent, valid for 12 months, to issue equity shares worth Rs 20.20 lakhs, out of which 1,34,700 equity shares of Rs 10 each will be offered to the public. The proceeds of the issue will be utilised as working capital.

The Air Control and Chemical Engineering Co. Ltd, Ahmedabad, has been given consent for the issue of Rs 8 lakhs divided into 8000 equity shares of Rs 100 each.

The Surat Electricity Co. Ltd, Bombay has conveyed to the government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order 1969, of the value of Rs 4,69,200 in 4692 equity shares of Rs 100 each at par as right shares. The proceeds will partly be used for financing the development of power distribution system and partly for payment of short term deposits by public.

The Indian Cable Co. Ltd, Calcutta, has been granted consent for the issue of capital of the value of Rs 57,24,270 comprising 5,72,427 equity shares of Rs 10 each to be issued to the members of Western Insulated Cables Ltd in terms of the scheme of amalgamation sanctioned by the high courts at Bombay and Calcutta.

Patel Brothers & Co. Ltd, has been given consent valid for three months to capitalise Rs 3,20,000 out of its free reserves and issue fully paid equity shares of Rs 100 each as bonus shares, in the ratio of four bonus shares for every five equity shares held.

The Hindustan Construction Co. Ltd, Bombay, has been accorded permission for issue of securities in supersession of the acknowledgement of March 25, 1971 for the sum of Rs 175 lakhs (Rs 55) lakhs worth of redeemable cumulative second preference shares for cash at par carrying 9.5 per cent dividend redeemable after 12 years but before the expiry of 15 years and Rs 120 lakhs worth of 8.5 per cent convertible debentures redeemable after 15 years for cash at par to be privately placed with the financial institutions.

Jayanti Oil Products Private Ltd, Bombay, has been accorded consent, valid for three months, to capitalise Rs 50,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every equity share held.

Sylvania Laxman Ltd, New Delhi, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the extent of Rs 80,00,000 in equity shares of Rs 10 each (Rs 40 lakhs on right basis and Rs 40 lakhs to the public through prospectus) for meeting the cost of expansion of their factory.

Interim Dividends

Hindustan Lever Ltd, has announced a higher interim equity dividend of 70 paise a share for 1972 as against 60 paise paid for the previous year. The dividend will be payable on November 10 to those shareholders who are registered in the books of the company as on October 23, 1972.

The directors of **Guest, Keen, Williams Ltd,** has declared an interim dividend of 10 per cent for 1972 to be paid on or after November 18.

The South India Shipping Corporation Ltd., has declared an interim equity dividend of 10 per cent for the year ending December 31, 1972.

Indian Overseas Bank Ltd has announced an interim ordinary dividend of five per cent for the year ending December 31, 1972.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current Year	Previous Year
Higher Dividend			
Gillapukri Tea and Seed Co. Ltd	December 31, 1971	5.0	Nil
Ugar Sugar	June 30, 1972	20.0	14.0
Loyal Textiles	June 30, 1972	15.0	10.0
Same Dividend			
Modi Spg. and Wvg. Mills Co.	April 30, 1972	12.0*	12.0
Hein Lehmann (India)	April 30, 1972	8.0	8.0
Megna Mills Co.	March 31, 1972	Nil	Nil
Jayant Paper	June 30, 1972	12.0	12.0
Rajapalayam Mills	March 31, 1972	7.5	7.5
Reduced Dividend			
Devashola (Nilgiri) Tea Estates Company	March 31, 1972	Nil	6.0
Anil Hardboards	March 31, 1972	Nil	6.0
Roopacherra Tea Company	December 1971	Nil	10.0

*On the increased capital.

INDIA STEAMSHIP COMPANY LTD.

Address of MR. K. K. BIRLA, Chairman, India Steamship Co. Ltd. delivered at the Annual General Meeting of the Shareholders of the Company on the 26th September, 1972.

Gentlemen,

The Audited Accounts and he Directors' Report for he year ended 31st March, 972, have been with you for ometime and with your permission I shall take them as ead.

As stated in the Directors' report, Sir A. Ramaswami Mudaiar, who was the Chairman of he Company since 1947, reired in November 1971, due o indifferent health. Apart rom his contribution towards he development of this Company and for the attainment f its present state, his advice nd guidance were also consantly sought by the Governnent of India and the business ommunity alike on various natters pertaining to shipping. He spared no pains in espousng the cause of Indian Shipping at all times and the shipping industry as a whole benefited immensely by his keen ntellect and penetrating inight into its economy and vorking. It is, therefore, gratifying that he has agreed to ontinue his association with he Company as an Adviser nd his valuable views are eing availed of on all impotant matters relating to your Company.

During the year under review 6 voyages were completed in he Liner service and 8 voyaes in the Coastal trade as gainst 42 round voyages in he overseas trade during the receding year. As mentiond in the Directors' Report, he freight earned during the ear was Rs. 16,96,76,703/- onsiderably outstripping the eight earned in all earlier ears.

After providing a sum of s. 1,57,08,990/- for depreciaon and meeting all other normal charges, a balance of Rs. 1,69,81,725/- is left in the Profit and Loss Account. Out of this amount, a sum of Rs. 95,00,000/- has been provided, for Development Rebate. The balance amount together with other amounts stated in detail in the Directors' Report has been transferred to General Reserve.

Last year, the Directors were most reluctantly compelled to withhold the payment of dividend on Preference Shares. This year, the Directors have pleasure in recommending payment of this arrear dividend out of the General Reserve and also in recommending a sum of Rs. 1,62,500/- for distribution as dividend to the Preference Shareholders at 5 per cent grossed up for the current year and Rs. 24,75,000/- to the Ordinary Shareholders at Re. 1/- per Share, subject to deduction of tax.

The year under review was a momentous one and replete with events of great significance. The tragic developments in Bangladesh led to a short but decisive war with Pakistan in last December which was quickly followed by the emergence of a friendly new State on the Eastern Border of the country. In the domestic scene, as a result of the Assembly elections in March 1972 the Congress Party has emerged as the strongest party and has secured an absolut, majority in almost all the States resulting in a political stability so essential to economic progress. The comfortable majority of the ruling party both in the Centre as well as in most of the States, offers ample scope for revitalising the economy and ensuring growth at a faster rate. The outcome of the recent Summit Meeting between India and Pakistan also augurs well and there is every reason to look forward to a period of political stability with a certain degree of uniformity, coherence and consistency in various economic policies.

The vital role of the Mercantile Marine was once again brought into full focus during the last war that was thrust on India and which happily ended with such, great glory to our country under the inspiring leadership of the Prime Minister Smt. Indira Gandhi. The satisfactory outcome of that war was in no small measure due to the perfect co-ordination in the mobilisation of resources from the different sectors and this achievement was to a great extent made possible due to the ceaseless efforts of the Merchant Navy. Although there was hardly any danger to ships and cargoes at the Indian ports during the war period, the Conferences governing the U.K./Continent and U.S. trades decided to impose an exorbitant surcharge. The Indian Lines firmly refused to abide by the Conferences' decision which ultimately led to the withdrawal of the unreasonable surcharge.

The volume of growth in world trade during 1971 was the smallest over the entire past decade, but the increase in the seaborne trade was still less while the supply of tonnage during the year was greater than demand, thereby leading to an inevitable slump in the tramp freight market.

In the Liner sector, conditions were far from satisfactory with soaring cost of operation, slower turn-round in various ports, losses due to labour strikes, dollar devaluation and currency readjustments. These were some of the major problems with which the shipping industry was confronted and in such a complex situation, it was difficult to evolve satisfactory solutions.

The shipping industry, as is well-known, is more vulnerable to changes in international conditions and competition than shorebased industries. The operations of the shipping industry, not being confined to this country alone, are subject to escalating costs over which it has no control, both within the country and abroad. As may be readily appreciated, the cargo handling costs, which constitute a major portion of the direct operating expenses of a Liner service, are rising considerably in the Western Countries with the industry having no say in this matter. The same is true of another major item of expenditure also namely the bunkering charges. All these expenses which are uncontrollable are imposed upon the shipowners without any negotiation or even discussion. Understandably, there exists a deep rooted resentment over any increase in the Conference freight rates to cover the enhanced cost of operation. To circumvent this situation many maritime countries extend to their shipping companies such measures which add to their internal strength and enable them to maintain their operating ability. The absence of this facility in this country has placed the Indian shipping industry at a disadvantage.

The Government's decision to withdraw the facility of Development Rebate effective from the 1st of June, 1974, will have adverse effects on the profitability and growth of the shipping industry as a whole. Moreover, the industry being a highly capital intensive one, is incapable of generating internal resources. With the exorbitant rise in the cost of new ships, the time is not propitious for acquisition of new tonnage. Therefore, before any final decision is taken by the Government on the crucial issue of Development Rebate, I would request them to kindly bear in mind that the

availability of development Rebate went a long way in enabling the shipping industry to mobilise Rs. 140 crores during the Fourth Five Year Plan for its development.

The vital role played by the Calcutta Port, in the country's export-import trade as well as the shipping industry cannot be minimised. This port has always been the prime outlet for jute products, tea, mica, engineering goods. all of which form the bulk of the export trade of the country, besides serving a largely industrialised hinterland. Being a riverine port, the Calcutta port has its own problems of which the steady increase in the situation of the Hooghly river affecting the available draft, is the major one. This is mainly due to the diminution in the head water supply. For solving this problem the essential requirement is to provide adequate quantity of water and to undertake suitable measures to reduce the silting of the river. In order to ensure this, round-the-clock dredging operations in the river Hooghly are being carried out. With a view to moderate and prolong the present passage for ships and to reduce the entry of coarse sand, Farakka Barrage has been constructed. feeder canal system to deliver upto 40,000 cusecs of water into the Bhagirathi river from the Farakka Project was also undertaken for the proper preservation of the Calcutta Port. At present an unfortunate controversy is going on as to the requirement of the quantity of discharge from the Barrage; it is, however, hoped that the problem will be considered in its proper perspective and the task of saving Calcutta Port, which is a national problem will be given the full attention that it deserves.

For sometime past, the shipping industry was confronted with an acute problem in the form of shortage of trained floating staff officers, particularly on the deck side. Fortunately, there has been some improvement in the situation in the recent months, with the commissioning of the Training Ship, "Rajendra". The new Training Ship, with its modern features and up-to-date training facilities, is equipped to provide for an increase of over 50 per cent in the annual intake of Cadets. Turnout of more trained cadets will take care of the problem of personnel for Indian and other Flag shipping.

The new 3-year Agreement effective from 1st January, 1972, has been concluded between the Maritime Union of India representing the floating staff officers employed on Indian ships and the Shipowners, revising the last Agreement signed in 1969. As a result of the new Agreement, the expenditure of the shipping companies on account of floating staff officers will increase by about 45 per cent to 50 per cent taking into consideration the rise in their basic wages and other benefits. This is stated here only by way of information and also to illustrate that the industry, unlike other industries, has not the unlimited freedom to increase freight rates for augmenting its income commensurate with the rising cost of operations.

I have already dwelt on the depression that is now prevailing in the shipping trade in general and any recovery from the present recession will depend entirely on the extent of the recovery made in world trade. This, in turn, largely depends on the improvement in the economy and trade of the industrially advanced countries of Europe, U.S.A. and Japan. There are, however, few encouraging signs in that direction, as yet. A vigilant watch has therefore to be kept up to find out whether the increase in world trade will be adequate to absorb the expansion in world shipping tonnage. So far, the situation has not taken a definite shape ; only fluid conditions prevail. In the circumstances prospects for shipping continue to remain uncertain as of now.

Recently Sri S. K. Datta, Secretary in the Ministry of Shipping and Transport and Sri R. Doraiswamy, Director General of Shipping, retired from service. I wish to express my sincere and grateful appreciation of their co-operation and assistance to the shipping industry and to our Company. I would also like to express my thanks for the help and guidance received by us all along from the Ministry of Transport and the Office of the Directorate General of Shipping.

I wish to thank all the staff, both afloat and ashore, for the care with which they have looked after the affairs of the company during the year and I sincerely appreciate their devotion and diligence in carrying out their duties.

Thanks are also due to our Agents both in India and abroad for attending to our ships' requirements. Last but not least I would like to thank the shippers both in India and abroad for their continued support and co-operation extended to us.

Thank you all.



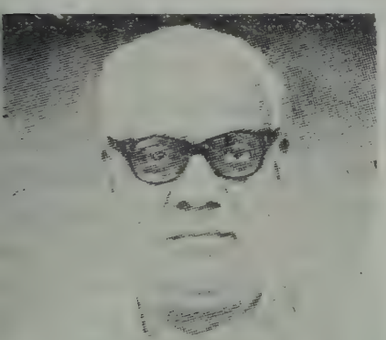
HINDUSTAN STEELWORKS CONSTRUCTION LIMITED

BOKARO STEEL CITY

Speech delivered by Shri R. S. Gahlowt, Chairman, at the Eighth Annual General Meeting of the Company held on 29th September, 1972 at Company's Project Office at Bokaro Steel City.

Gentlemen,

I have pleasure in welcoming you to the 8th Annual General Meeting of the Company in our Bokaro Steel Project Office. It is gratifying to note that the performance of this Company has been continuously improving from year to year. This can be judged from the fact that the turn-over of the Company which was 3.65



Shri R. S. Gahlowt

Crores during 1966-67 increased to Rs. 39.62 crores during the year ended 31st March, 1972. This ten-fold increase during a period of 4 to 5 years is no mean achievement. The Construction Industry which consumes nearly 0% of the each Plan expenditure, has been in the hands of the agencies which are not able to keep pace with the technological developments and the changing working conditions which require a harmonious employer-employees relation, besides requirement of complete departure from the traditional contracting practices.

The Company has been developing various specialisations which cover the complete field of construction including not only Civil Engineering and Steel Structural works but those of Erection of Equipment, Technological Structures, Electrical Installations and Refractories. Problems in Steel Plant construction gain considerable importance, on account of large volumes covering a wide range of specialisations over practically all the facets of Construction Engineering. The period of steel Plant construction extends over comparatively much longer period employing a labour force of the order of 55,000 to 60,000. It is a matter of pride that during a short period of less than 7 years since the Company started its first job of Site Levelling of Bokaro Steel Project, the Company has made its impact in the construction industry. In fact, the Company has stood out in performance in Bokaro whose First Blast Furnance Foundation on 6th April 1968 was laid by Shrimati Indira Gandhi, our Prime Minister and who is now inaugurating the Blast Furnace Complex on the 3rd October, 1972.

At Bokaro besides sophisticated and voluminous erection works of Blast Furnaces, our work covers Steel Melting and Rolling Mills Complexes, Outdoor Pipelines, Technological structures, Cable net work; Electrical Equipment Installations and Refractory Lining etc. as well as the Steel Plant Construction, the Company has undertaken construction of 10,000 quarters for the township in addition to Bokaro's Lime Stone Quarries and Township works at Bhawanathpur. While Bokaro Stage II 4.0 Million Tonnes works have been started, the works of Dalli Mechanised Mines, Second Sintering Plant and 8th Coke Oven Battery and Borodih Reservoir of Bhilai Steel Plant all of which are works of high priority have also been entrusted to your Company and these are to be followed by the Expansion works of Bhilai Steel Plant to 4.00 Million tonnes stage.

In the New Steel Sector at Salem (Tamil Nadu), Visakhapatnam (Andhra Pradesh) and Vijayanagar (Mysore) which were inaugurated by Smt. Indira Gandhi, our Prime Minister in September 1970, January 1971 and October 1971 respectively. Your Company has been associated right from the Site selection stage. It is heartening to note that the Government in recognition of the performance of your Company have decided that HSCL would be the Principal Construction Agency for all the New Steel Plants, as well as expansion works of existing Plants. In line with this thinking and decision, the work of site levelling of Salem Steel Project was started by the Company on 13th June, 1972 with Inauguration by Shri S. Mohan Kumaramangalam, Union Minister of Steel & Mines.

Your Company is working with Socio-economic goals to which the nation is committed. It stands for quality, speed and economy. The works in the Steel Plants as well as all other Projects are being executed at economical rates.

Outside Steel sector your Company has undertaken a number of Industrial Projects in several states. These include at Allahabad (U.P.) Bharat Pumps & Compressors Ltd. Plant which is in advanced stage of completion and the Gas Cylinder Plant, likely to be taken up shortly besides two factories of The Indian Telephone Industries, the transmission factory has already gone in production while the work on the instruments factory is in progress. At Hyderabad the Company has completed the Zircaloy Fabrication Plant (already in production) and the work of Hindustan Cables Factory is in advanced stage of completion. Iron Ore Deposit, Civil Engg. and Structural Works at Bailadila were also started during the year besides Bharat Alminium Co. work at Korba. The Construction of Grain Silos for storage of grains for Food Corporation of India at Delhi besides a number of other works including the Coal Storage and Conveyor units of power house for Haryana State Electricity Board at Faridabad, the Dry Dock for Garden Reach Workshops Ltd at Calcutta and last but not the least the Second Hooghly Crossing works at Calcutta are in hand.

Diversifications in the activities of the Company can be judged from the various projects Company is executing besides large number of Specialisations in the Steel Plant Construction.

The country is facing serious problems of un-employment. Your Company has at Bokaro itself construction workers numbering 45,000 approximately out of which 9,000 are on the Company's rolls and another 10,000 to 12,000 employed direct on piece rated contract basis. In addition the strength employed on outside jobs is 12,000. This number is bound to increase in the ensuing years. In respect of Graduate Engineers and Diploma Holders, the Company has been able to provide jobs to 1,100 persons during the last 3 to 4 years. Industrial Relations are receiving our special attention.

The Income of the Com-

pany increased from Rs. 32.77 crores in 1970-71 to Rs. 40.28 crores during the year showing an increase of approximately 22.5%. Surplus in the contract account also increased to Rs. 346.10 lakhs as compared to Rs. 291.97 lakhs in 1970-71 and Rs 197.88 lakhs in 1969-70. The net profit after provision for depreciation and interest during the year was Rs. 79.23 lakhs against Rs. 64.64 lakhs during 1970-71, and Rs. 25.59 lakhs during 1969-70. Your Directors have recommended a Dividend of 20% on the Paid-up-Capital which requires your approval.

The cumulative value of Contracts entered into with Bokaro Steel Ltd. increased from Rs. 195.52 crores to Rs. 229.16 crores besides contracts for Rs. 11 crores for works at Bhilai Steel Plant. In the New Steel Plants even though the value of contract as such is small, your Company undertook and completed all the site investigation works, on the basis of which Feasibility Reports have been prepared by the Consultants.

Outside Steel Sector, the cumulative value of the contract entered increased from Rs. 518 lakhs to Rs. 2763 lakhs. This does not include works costing over Rs. 1,600 lakhs being entrusted to the Company for Korba Smelter Unit of Bharat Aluminium Co. Ltd.

During the execution of Stage-I works at Bokaro, your Company has been able to create new records some of which are:—

(1) Monthly rate of concreting of over 53,000 M3 achieved in January-March, 1970;

(2) Continuous pour of concreting in 10,000 M3 single foundation in Hot Rolling Mill slabbing Mill Roughing Stand;

(3) Structural fabrication pace of over 5,000 tonnes per month achieved in December, 1971 and January, 1971;

(4) Equipment Erection rate of 2,500 tonnes already achieved. This is bound to improve as the erection works in the Rolling Mills gain momentum.

(5) Construction of 180 Metres high R.C.C. Chimney, the highest of its kind in the country.

Your Company has contributed a sum of Rs. 70,000/- to the National Defence Fund as the Company's contribution besides Rs. 5,000/- to West Bengal Citizens Council. In addition the contribution of Rs. 1,10,081/- was made to National Defence Fund by our Contractors and employees, the total contribution from the employees being of the order of Rs. 36,000 approximately.

Keeping in view the performance in the year, your Company has sanctioned an ex-gratia payment of 20% to all the employees including daily rated workers, as has been done in the previous years also.

In view of the heavy steel programmes, your Company is looking to a much better and bright future ahead. The encouragement given by the Ministry, the assistance we are getting from the State Governments of Bihar, West Bengal, Uttar Pradesh, Madhya Pradesh, Tamil Nadu, Mysore and Andhra Pradesh, have given us the confidence to meet the new challenges. We are also grateful to Bokaro Steel Limited, Hindustan Steel Limited and their Consultants and all other Government of India Undertakings with which we are associated.

I am personally indebted to all the Directors on the Board without whose support and active co-operation, it would not have been possible for me to shoulder the heavy responsibilities of the onerous job of a construction Undertaking aiming at opening a new era in the field of construction, discarding some of avoidable practices in contracting of construction jobs, thus establishing new traditions which would enable to meet challenge of the present day. I would specially like to thank Shri J.C. Luther who was actively associated on the board for more than four years.

In the end I would like to thank all the employees of the Company through whose efforts the acceleration in the Company's performance is being maintained.

NOTE: **(This does not purport to be a record of the proceedings of the Annual General Meeting.)**

Company Notices

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

NOTICE

Notice is hereby given that the Board of Directors of this Company at a meeting held on 27th September, 1972, have declared payment of an Interim Dividend on the Company's Preference Stock for the year ending 31st March, 1973, at the rate of 3% gross. Payment will be made on 17th Novem-, ber, 1972, after deduction of appropriate Indian Income Tax to those Stockholders whose names are registered in the Company's Stock Register on 20th October, 1972.

Applications for transfers received in this office before 12 o'clock noon on Friday, 20th October, 1972, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend.

By Order of the Board

Sd/- S.K. Mitra

Secretary.

Victoria House,
Calcutta. 27th September 1972.

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

Notice is hereby given that the Board of Directors of this Company have decided to recommend to stockholders at the forthcoming Annual General Meeting that a Final Dividend for the year ended 31st March, 1972 on the Company's Ordinary Stock at the rate of 2 per cent gross less Indian Income Tax at appropriate rates be paid on 14th December, 1972, to those stockholders whose names are registered in the Company's Stock Register on 31st October, 1972.

Applications for transfers received in this office before 12 o'clock noon on Tuesday, 31st October, 1972, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend.

By Order of the Board

Sb/- S.K. MITRA

Secretary

Victoria House,
Calcutta, 27th September, 1972.

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A get-together of smiles. Once again you're in the limelight ... as the life of the party



Live it up as never before in a Man-Age Suiting. The spectacular range of runaway colours and designs in GWALIOR SUITING is your new way to manage!

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BHARAT HEAVY PLATE AND VESSELS LTD. VISAKHAPATNAM

Speech Delivered by Shri T. S. Krishna, Chairman, at the sixth Annual General Meeting of the Company held on 14th September, 1972 at Visakhapatnam.

Gentlemen,

I have great pleasure in welcoming you to the 6th Annual General Meeting of your company. The Directors' Report and Annual Accounts of the company for the year 1971-72 have been circulated and, with your permission, I shall take them as read.

With the completion of construction of the factory during the last year, the execution of some important orders and the receipt of further contracts for the manufacture of a large number of sophisticated equipment including complete plants for the production of oxygen, the company has reached a stage when it can look forward with optimism to its prospects in the immediate future. The performance of the factory during the short period for which it has been in operation also gives room for such optimism. As you are aware, the construction of the factory although was started late in the year 1967 could not proceed as rapidly as was planned on account of non-receipt or delays in the receipt of essential steel plates, sections etc. This resulted in a condition for some time of a large number of imported and indigenous equipment having been received at site but without a possibility of being installed or put to use. This in turn caused the volume of output compared to the amounts spent on procurement of equipment and construction, being distorted from what was originally envisaged.

However, due to adaptations in designs of details of buildings and also commencement of trial production by the installation of certain essential equipment in temporary locations the factory could make a start even when the construction of the factory was less than one-third complete. This has enabled the gradual building up of skills in many of the important areas of work leading to the factory taking up the manufacture of a number of sophisticated items of equipment such as Alumina Digesters, Stainless Steel Heat Exchangers etc. for operation at critical conditions of temperature, pressures and corrosive environments. These according to the collaborators and many others could have been taken up only after the factory has been operating for a few years manufacturing simple items of equipment of low unit value. Thus the commencement of initial production although could not contribute to any spectacular achievement in terms of quantity, has assisted in the company taking manufacture of specialised items for the process industry which is one of the basic objectives for which the company has been established.

The construction of the factory was substantially completed only during the year 1971-72 during which year the production of equipment was slightly over 10% of the full capacity of the plant. For the year 1972-73, the targeted production is of the order of 7,000 tonnes of saleable equipment which is just over three times the actual production during the previous year. This 7,000 tonnes mainly consists of equipment of higher categories of quality and consists of higher percentages of small heat exchangers, stainless steel equipment and other higher value items than has been assumed in preparing the production programme of factory.

Consequent upon the taking up of such more sophisticated items of equipment and by cutting down the expenses it is expected that your company will reach near braeak-even stage during 1972-73 itself—much ahead of time.

As a measure of diversification, your company has entered into new fields *viz.*, the manufacture of air and gas separation plants on a turn key basis and also the manufacture of high pressure vessels for the process industry, with suitable collaboration arrangements with reputed foreign parties. In regard to the air and gas separation plants, I am glad to report that your company has obtained a letter of intent from Bokaro Steel Limited for the manufacture of two 500 tonnes per day capacity oxygen plants together with the associated storage equipment etc., for a value of Rs. 9 crores.

Your company is also taking up the manufacture of a large oxygen plant and liquid nitrogen plant for one of the fertilizer plant units shortly, supply of high pressure vessels for the same plant is also being negotiated and preliminary work in connection with the manufacture of these vessels in progress.

It may be pointed out that the manufacture of tonnage oxygen plants as well as vessels for handling extra high pressures as are required by the synthetic amonia and other smallar industries is being taken up for the first time in this country which will reduce the foreign exchange component of fertilizer, steel and other factories to an appreciable extent.

Preliminary projections prepared for the Fifth Plan for fabricated equipment required by the Fertilizer, Petroleum-refining and Petrochemical industries indicate an anticipated annual demand of 30 to 35 thousand tonnes of equipment of the type manufactured by this factory. As this factory occupies a very important place as a supplier of custom-built equipment for these industries, we have reason to anticipate orders sufficient to keep the factory operating at optimum load in the coming years.

On the industrial relations side a notable feature is the emergence of internal leadership of the Union. This will contribute greatly towards better labour-management relations in future, which is a *sine-qua-non* for increased production.

The prime objective of your company is to achieve self-reliance for the equipment required by the process industry in the country. Most of the equipment required by this industry are highly complicated in the matter of design, fabrication, inspection and testing, due to their having to operate under highly critical conditions of temperature, pressure and corrosion. The fact that your company has turned out products of high quality conforming to rigid International Standards for the fertilizer, petroleum, petro-chemicals, alumina and heavy chemical industries even during the initial years of production is ample proof that your company is capable of contributing towards achieving self-reliance in this vital field of economy.

I thank my colleagues on the Board who have helped me greatly in guiding the operations of your company. I would like to express my appreciation of the dedicated and hard work of the employees of the company at all levels without which it would not have been possible for your company to reach this stage of development. I hope they will allow their zeal and enthusiasm to sag but will continue to give their best to achieve better results in future.

I now commend for your adoption the Balance Sheet and Profit and Loss Account for the financial year ended 31st March 1972.

(T.S. KRISHNA)
CHAIRMAN

N.B.: This does not purport to be a record of the proceedings of the Annual General Meeting.

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Wire Healds, All-metal Reeds, Jute Cambs and Jute Reeds.

Swar Brand
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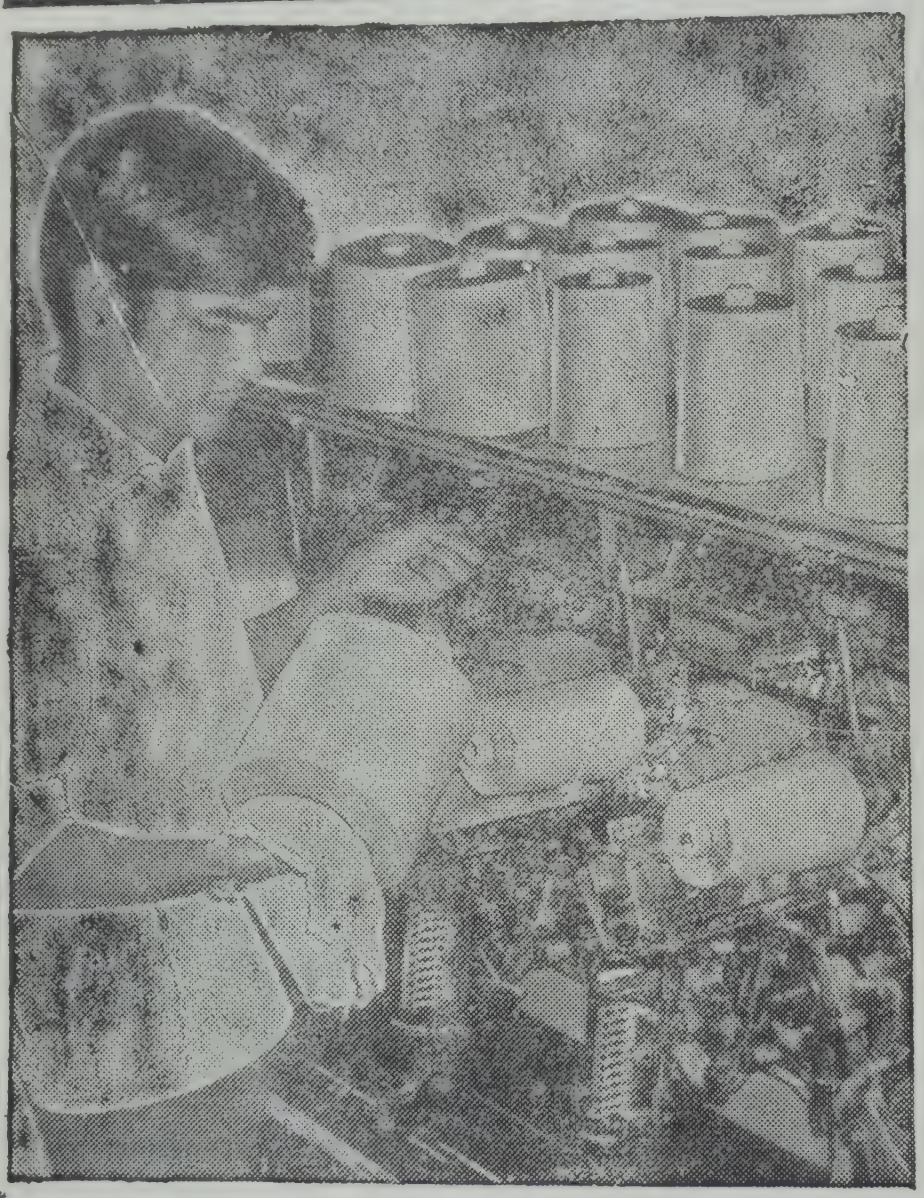
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Baroda & Bombay

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CMNI-29-344

Gopal works for Century Rayon 8 hours a day

Century Rayon looks after Gopal the other 16 hours





Gopal is one among 7000 workers at Century Rayon. He works an 8-hour shift. When he's off duty, Century Rayon strives to keep him off the everyday worries.

Like lunch-break, for example. He doesn't have to worry if his food has not arrived from home. He gets his, at the subsidised canteen. A wholesome meal at a fraction of its cost.

After work hours, Gopal returns home - a subsidised house in the Century Rayon Colony, to have his family under a roof. The next-to-factory colony also saves him the bother of transportation

Medical help is within a 'calling' distance. Leisure finds Gopal & his family playing indoor or outdoor games. Or, watching a movie with the family, once a week. Courtesy: his welfare club. So the next day, Gopal returns to work a happy man.

It takes a lot more to keep Gopal and his 6999 colleagues happy. During the 16 hours they aren't working.

Belief of Century.
a happy worker is a happy company

Century Rayon

Industry House, 159, Churchgate Reclamation, Bombay-20.

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INDIAN COPPER CORPORATION LTD.

Address delivered by MR. G. D. Kothari, Chairman

At the Annual General Meeting of the Company for the year ended 31st December 1971 held on the 29th September, 1972

Gentlemen,

I welcome you to the 48th Annual General Meeting of the Company.

The accounts for the year ended 31st December, 1971 and the Directors' Report have been in your hands for sometime and with your permission I shall take them as read. From these you will see that the results for the year 1971 were very satisfactory. The working profit for the year under reference increased by Rs. 74,33,562 but the profit before taxation was considerably less due to very high depreciation and development rebate reserve which had to be provided for on account of commissioning of the Flash Smelter on 30th December, 1971, benefit of which could not be derived during the year under reference. It pains me to see that the advantage of installing Flash Smelter and the Sulphuric Acid Plant for which your Company had put in so much efforts and money would no longer be available to its stockholders, as you know the undertaking of the Company has been taken over by the Central Government.

The main objectives of acquiring the undertaking of your Company, as contended by the Government of India, are to ensure the conservation and development of the scarce copper resources of the country by an integrated approach and to increase copper production in the country at a much faster speed. In my view, these objects could have been achieved in a better way without nationalization as we were exploiting copper mines and producing copper strictly in accordance with the guidelines laid down by the Central Government from time to time. We had given an assurance to the Central Government after having discussions with our technical people as well as with the Central Government, that mill-head grade of copper would be reduced from 2% to 1.8% within three years in order to increase copper ore reserves and keeping this objective in view, steps had already been taken by your Company to implement and fulfil this assurance. In the year 1971 the average grade of copper ore milled was brought down from 1.98% to 1.912% as can be seen from the Directors' Reports. In fact, your Company was considering to bring down the cut off grade from 1% to 0.5% which would have reduced the mill-head grade further to about 1.5% by undertaking an expansion programme of all mines of the Company, particularly of Surda Mines which was being examined by technical experts of your Company when the management of the undertaking of your Company was taken over by the Central Government on March 10th, 1972 and for which your Company had already decided to engage a world renowned mine consultancy firm.

You are aware that your Company had undertaken an expansion programme at the cost of about 9 crores under which the Flash Smelter having an annual capacity of 17,000 tonnes was commissioned on December 30th, 1971. Your Company was also thinking of utilising the old smelter by increasing copper ore production from its own mines and also by treating copper concentrates available from indigenous as well as from overseas sources which would have increased the production of copper by your Company to 26,000 tons per year. Various schemes were submitted to the Government for this purpose. Thus the Company was fully alive to its responsibilities and duties towards increasing copper production in the country and conservation of ore. I am sure that with the cooperation and assistance from the Government of India, we would have achieved these objectives in a comparatively shorter period than what possibly it would take now, if past performances are any guide.

I am grateful to the Minister of Steel and Mines, Mr. Kumaramangalam for giving us the credit of managing the affairs of the Company efficiently but at the same time it pains me to see that the Company having to its credit a remarkable record of services and achievements has been deprived of its undertakings because it was being run efficiently and it had developed Indian expertise which is very valuable for the future growth of the copper industry in the country. The Company would have been happy to make its humble contribution in the larger interests of the country by sharing its experience and knowledge with any public sector unit in achieving self sufficiency in copper production, had any such indication been given to the Company.

In this connection I would also like to point out that the kyanite lease of the Company, the profit of which was shared between the Government of Bihar and the Company on 60 : 40% basis was also taken over by the Central Government although this property cannot be linked in any way with the Government objective of the take over of the undertaking of your Company. In my view discrimination has been made against your Company by taking over its kyanite property as other kyanite leases in the country are still in the hands of private parties. This however, should not be construed to mean that I am in favour of the Government taking over the kyanite mines from private parties but what I wish to convey is that in all fairness at least the kyanite property should have been left with the Company.

The Central Government has been paying management compensation to your Company at the rate of Rs. 75,000 per month with effect from 10th March, 1972 and probably this will continue till the date of commencement of The Indian Copper Corporation (Acquisition of Undertaking) Act, 1972. The Honourable Minister of Steel and Mines have stated that the management compensation was determined after taking into consideration the Managing Agency Commission which was being paid to your Company's Managing Agents Gillanders Arbuthnot & Co. Ltd. So far as the Managing Agents are concerned, the commission payable to them as Managing Agency Commission was their profit whereas your Company has been asked to bear out of this Rs. 75,000/- all expenses in connection with Share Department work of your Company and in discharging all responsibilities and obligations under the Companies Act. Your Company has also been asked to meet all liabilities arising out of retrenchment of clerical and subordinate staff of your

Share Department such as gratuity, retrenchment benefit etc. if the Company is wound up. Thus the management compensation paid to the Company was not even sufficient to meet all the aforesaid liabilities.

In accordance with the directives of the Custodian and the Central Government, your Company prepared and submitted the accounts for the period from 1st January, 1972 to 10th March, 1972, the date when the management of the undertaking of your Company was taken over by the Central Government and these accounts reveal the networth of the Company's undertaking at Rs. 16.60 crores as on that date. While preparing these accounts the Company had changed the basis for valuation of finished and semi-finished stocks such as wire bars, rolled products, concentrates, kyanite etc. Such stocks were valued in the past at cost price whereas these have now been valued at realisable rates which is appropriate as the undertaking of the Company have been taken over by the Government and these accounts have been prepared mainly for the purpose of determination of compensation. It is indeed very disappointing that a sum of Rs. 7.5 crores is being paid to the Company which is not even 50% of the networth of the Company on the basis of the accounts prepared by us for the period ended 10th March, 1972.

If the compensation had been determined on the basis of the present day replacement value, it would have been in the vicinity of Rs. 75 crores. For example, it will cost Rs. 90 crores for Hindustan Copper Limited to create the installed capacity of 31,000 tons of copper per year, whereas the annual installed capacity of both the smelters (new Flash Smelter and Old Reverberatory Smelter) of your Company was about 26,000 tons.

The Company was hoping to make a gross profit in the neighbourhood of Rs. 8 crores in 1972 and therefore had the compensation been calculated on the basis of capitalisation of earnings, the amount would have been far greater than what the Government have proposed.

In view of what I have stated above I am sure you will agree with me that the compensation awarded to your Company is grossly inadequate, unreal and illusory. The Honourable Minister of Steel and Mines has himself admitted that it is about 50 to 60% of the market value of the shares. In our various representations to the Government we had pointed out that out of approximately 24,000 Stockholders of your Company, about 22,500 Stockholders held between 100 to 2000 units of stock and these small stockholders would be adversely affected if a reasonable compensation was not paid, but I am sorry to say that inspite of these representations, the Government have decided to pay a very low compensation to the Company which cannot be justified on any ground. I assure you, however, that your Directors have done their best and will continue to do what they can to safeguard your interests.

I regret to inform you that the Central Government have not approved the recommendation of the Board of Directors for the payment of Dividend at the rate of 10.544% i.e. 20 Paise per unit of stock. Representation was made to the Government for reconsideration in view of the increase in profit but they have expressed their inability to agree to pay more than 8% dividend for the year 1971. This matter is now before you for consideration.

I am fully aware that you are anxious to know the future of the Company, but at this stage it would not be possible for me to spell it out for a number of reasons. Amongst various alternatives your Directors will also examine how soon money can be paid back to the stockholders if it is decided to wind up the affairs of the Company. Your Directors will come up with suitable proposals to you at the appropriate time.

I trust that you will join me in expressing our appreciation of the hard work put in by all workers and members of the staff. I thank my colleagues on the Board for their valuable guidance throughout the year and the difficult period thereafter.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

INDUSTRIAL FINANCE CORPORATION OF INDIA

5¾% BONDS 1984

PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL GUARANTEED BY THE GOVERNMENT OF INDIA
AMOUNT OF ISSUE : Rs. 10,00,00,000
ISSUE PRICE : Rs. 100.00 PER CENT

REDEEMABLE AT PAR ON THE 23RD OCTOBER 1984

The Bonds are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act, and are also eligible for grant of advances to scheduled banks by the Reserve Bank of India. They are on the approved list of securities of the State Bank of India. They are also eligible for investment of the accumulations of the Provident Funds, exempted as well as non-exempted.

Subscription will be received in cash/cheque at the branches of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, Nagpur New Delhi and Patna from Monday, the 23rd October, 1972 but the list will be closed without notice as soon as the total subscriptions amount to Rs. 10 crores, and in any case, not later than the close of business on Thursday, the 26th October, 1972. The Corporation reserves the right to retain subscriptions received upto 10% in excess of the sum of Rs. 10 crores.

The Bonds will have a currency of 12 years and will be repaid at par on the 23rd October, 1984. They will bear interest at the rate of 5¾% per annum from the 23rd October, 1972. Interest will be payable half yearly on the 23rd April and 23rd October and will be subject to tax under the Income Tax Act, 1961.

Copies of the Prospectus and application forms can be had from the Offices of the Reserve Bank of India as also from the Head Office of the Corporation at Bank of Baroda Building, 16-Parliament Street, P.B. No. 363, New Delhi-1, its branches/sub-offices at (i) Jivabhai Chambers, Ashram Road, P.B. No. 4049, Ahmedabad-9, (ii) 22-Mahatma Gandhi Road, P.B. No. 5091, Bangalore-1 (iii) 20-Forest Park, Bhubaneswar-9; (iv) Mehta Mahal (5th Floor), 15-Mathew Road, P.B. No. 3928, Bombay-4, (v) 4-Mangoe Lane (2nd Floor), P.B. No. 2483, Calcutta-1, (vi) G.N. Bardoloi Road Chandmari, P.B. No. 30, Gauhati-1, (vii) 6-3-631, Zilla Parishad Road, Khairatabad, P.B. No. 11, Hyderabad-4, (viii) Aggarwal Building, Canal Crossing, The Mall, P.B. No. 319, Kanpur-4 (ix) Raji Building (3rd Floor), 147-Mount Road, P.B. No. 1080, Madras-6, (x) 43-Patali-putra Colony, Patna-13 and also from the Delhi Division at No. 5-Parliament Street (Jeevan Tara Building), New Delhi-1.

Arrangements will be made for listing of these Bonds at the Bombay, Calcutta and Madras Stock Exchanges.

Brokerage will be paid at the rate of six paise per Rs. 100/- to recognised banks and brokers on allotments made in respect of applications for the Bonds bearing their stamp and tendered by them.

New Delhi,
Dated, the 25th Sept., 1972

C. D. KHANNA
Chairman

DAVP. 806 (30)/72

NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Statement made by Shri K. B. Rao, Chairman, the National Industrial Development Corporation Limited at the Seventeenth Annual General Meeting of the Corporation held on 29th September, 1972.

Gentlemen,

I have great pleasure in elcoming you to the 17th nnual General Meeting of ne Corporation. I trust that I ave your permission to take s read the Report of the Direc- ors and the Audited Accounts f the Corporation for the year



Shri K. B. Rao

ded 31st March, 1972, which ve already been circulated you.

The year under review was a ucial and eventful one for r country. The challenges ed through the influx of llions of refugees and an med conflict with Pakistan re successfully faced under able and dynamic leader- p of our Prime Minister, t. Indira Gandhi and ough the united effort of people of our country. I uld like to pay my humble bute to our Armed Forces their magnificent achieve- nt and to the single-minded otion to duty of all the rkers in factories, in offices on farms. The unity and lity to face adversity gives confidence that we shall soon win the battle on the Economic Front also.

The turn-over for the year under review was Rs 128.02 lakhs and the net surplus was Rs. 15.02 lakhs.

The Dividend rate of 15 per cent and the Bonus/Ex-gratia to employees at the rate of 20 per cent has been maintained for the third consecutive year.

The Foreign Exchange Earnings during the year amounted to Rs. 12.33 lakhs.

It has been the policy of your Company to retain in business the profits after payment of reasonable dividend. Ploughing back of such profits has been the main source for meeting requirements of Working Capital. As on 31st March, 1972, the Reserves and Surpluses amounted to Rs. 60.39 lakhs against the paid-up capital of Rs. 10 lakhs.

The primary activity of your Company in providing Consultancy Services continued to develop and was pursued with great vigour. The phase of initial development of expertise in the highly complicated fields of Engineering Consultancy, Management Consultancy and Economic Development has come to an end and the Organization is now well-set to handle important tasks and large assignments in these fields.

During the year under review, your Company extended its Consultancy Services to the Pulp and Paper Industry and was engaged as the turn-key Consultants for the Nagaland Pulp and Paper Project, in addition to being commissioned to prepare the Project Report for the proposed Assam Paper Project at Nowgong and the Newsprint Plant in Kerala. Other note-worthy Projects on which it was engaged during the year under review included the Bailadilla Iron Ore Project Deposit No. 5, the Pumps and Compressors Project at Naini and the New Cable Factory at Hyderabad.

Consultancy Services of your Company have been steadily gaining more and more recognition overseas and by international Agencies. It is a matter of pride that your Company was selected from amongst a number of world-renowned Organizations from the United States, France and Switzerland by the United Nations to evolve a Detailed Plan for the Development of the Capital Goods Industry in Iran. It was also appointed by the Government of the Libyan Arab Republic to provide turn-key consultancy services for the establishment of a Steel-melting and Billet-casting Plant in that country.

I am happy to report that TECHNOLOG INC., a Consultancy Organization established by the Imperial Government of Iran—through its Industrial Development and Renovation Organization of Iran—for which your Company had been appointed as the Collaborators, has developed in a most satisfactory manner and is to-day one of the leading Consultancy Organizations in that country.

In the type of business in which your Company is engaged, it is inherent that we must always look ahead and gear ourselves to meet the changing needs of the economy. Profit, in itself, cannot be the sole yard-stick for judging the performance of an Organization such as ours. Of greater relevance in the present context of economic development of the country is the ability of an organization to recognize the changing needs of Industry and its ability to meet such challenges.

Your Company has given careful consideration to this problem and is now preparing itself to be in a position to offer consultancy services in non-traditional fields, such as Pollution Control and Traffic Engineering etc. for which the need is now clearly discernible.

Understandably, considerable emphasis is being placed on the need for increasing R&D effort in the country and for greater reliance on indigenous capabilities in the technical sphere. One of the handicaps which indigenous R&D effort has been facing relates to inadequate engineering back-up support for the work being done by our National Laboratories and other Research Centres for the proper and effective exploitation of the fruits of such indigenous research. Your Company intends to immediately institute action to provide the necessary engineering back-up support to such indigenous research work. Essentially, this engineering back-up support is intended to cover the development of the detailed manufacturing processes, tooling designs etc., which normally constitute the manufacturing know-how for an engineering industry. It would also provide the necessary plant engineering support through its already established consultancy activities. With such engineering back-up support, your Company is confident that there will be greater appreciation and more ready acceptance of the fruits of indigenous research, much of which has been languishing for want of this effort.

All over the world, consultancy has been recognized as a profession. This fact has, however, yet to find wide acceptance in India. This is evident from the manner in which Consultants are gene-

rally being appointed. The prime consideration in appointing a professional, including a Consultant, is to base judgment essentially on competence rather than on price. I would make an earnest appeal to Government as well as to entrepreneurs that the selection and appointment of Consultants should primarily be based on their competence.

Time is now to set up a Chartered Institute of Consulting Engineers in India for regulating this profession. Only through self-discipline which such an Institute established by law will ensure, can there be a healthy growth of the profession in the country. I would appeal to Government to take early action for the setting up of such an Institute, which has also been recommended by the Venkataraman Committee of the Planning Commission in 1970. One of the first tasks which I would suggest for this Institute would be the codification of the ethics for this profession and its acceptance by all practising Consultants in the country.

A subsidiary function of your Company has been to grant loans to the cotton textile, jute and machine-tool industry for their rehabilitation and modernization, although under Government directives your Company has not been entertaining fresh applications for loans since February, 1963.

It has now been decided by Government to transfer this activity to the Industrial Finance Corporation of India and action for completing the formalities of transfer are in hand.

I wish to thank all our clients for the trust and confidence reposed by them in the competence and professional integrity of your Company. I am grateful to the officials of various Government departments and organizations and the many other organizations, institutons and individuals for their valuable assistance and guidance.

I wish to thank all my colleagues on the Board of Directors for their wise counsel in the management of the affairs of the Company.

The establishment of new plants and equipment, so necessary to the economic progress of our country, are not just the products of steel and brick and glass. They come, mainly, from the imagination and hard work of people. The employees of your Company are deep in experience, knowledge and skill. They have applied themselves with vigour and single-minded devotion during the year to the challenges of the tasks assigned to them. Theirs was a significant contribution to the achievements recorded during the year for which I would request you to join me in paying our tribute to them.

Note: **This does not purport to be a record of the proceedings of the Annual General Meeting.**

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RECORDS AND STATISTICS

Price policy for kharif cereals

N ITS report on price policy or kharif cereals for the 972-73 season, the Agricul- ural Prices Commission has ecommended an increase y two rupees a quintal the procurement prices or paddy in the states of ndhra Pradesh, Haryana, ammu and Kashmir, Mysore, rissa, Punjab, Tamil Nadu nd Uttar Pradesh. In Gujarat ie recommended procurement rice will mean an increment f one rupee a quintal only it no increase in procurement ices in Assam, Bihar, Kerala, Iadhya Pradesh, Maharashtra nd West Bengal has been commended because in all ese cases the prices for the 971-72 season ruled at either s 56 a quintal or more.

In the case of rice, the Com- ission has suggested an in- ease of three rupees a quin- l in the procurement prices Andhra Pradesh, Haryana, njab and Uttar Pradesh; no crements have been suggest- for Bihar, Kerala, Madhya adesh Maharashtra and West ngal. The procurement pric- for bajra and maize are ggested to be increased by o rupees a quintal.

The target for the procure- ent of rice in the 1972-73 ason has been fixed at four llion tonnes and that for arse cereals at 600,000 ton- s. The Commission has sug- sted that for successful rea- ation of these targets, not ly the proposed improvement procurement prices should brought about but the tem of procurement should also be tightened, specially in those states where the procurement effort has been relaxed during the last few years.

The report of the Commission is given below in full :

In this report, the Agricultural Prices Commission offers its views on the price policy for kharif cereals for the 1972-73 season. The Commission recommends that

(*a*) since a buffer stock of foodgrains, being costly to build and to operate, cannot be indefinitely enlarged, the buffer stock policy should supplement rather than supplant a direct attack on the problem of instability in the country's foodgrain economy through a reorientation in the production strategy;

(*b*) in order to bring about a greater balance in the grain-wise composition of the buffer, its rice and coarse grain components be progressively enlarged;

(*c*) the target for the procurement of rice in the 1972-73 season be fixed at 4 million tonnes and that for kharif coarse cereals at 0.6 million tonnes;

(*d*) for the successful realisation of these targets, the system of procurement be tightened, specially in those states where the procurement effort has been relaxed during the last few years; and

(*e*) the procurement prices for the standard varieties of paddy, rice and kharif coarse cereals for the 1972-73 season be fixed as detailed in Tables I, II and III.

The total output of foodgrains in 1971-72 registered a decline—although its official estimate is yet to become available—from the peak level of nearly 108 million tonnes in the preceding year. The explanation lies in the behaviour of weather. Although with an early outbreak of the south-west monsoon, the agricultural year 1971-72 had started on a promising note, serious deficiency of rainfall was experienced from the middle of June to the middle of August in Maharashtra, Andhra Pradesh and parts of Mysore. During July and August, rainfall was also deficient in western Rajasthan and west Uttar Pradesh in addition to some other areas. Besides, a furious cyclone took a heavy toll of the rice crop in Orissa.

In comparison with the kharif season, however, the weather during the rabi was quite favourable. The production of gram is reported to be moderately higher, and that of wheat considerably so, than in the previous year. The shortfall is thus confined, by and large, to the kharif foodgrains. And since amongst these, the output of rice in the overall is believed to be only marginally lower than in the preceding year, the drop in production is almost entirely attributable to that segment of foodgrain output—coarse cereals and pulses—which, lacking irrigational facilities, is most subject to the vagaries of rainfall.

It is of course true that in a country of the size of India, deficiency of rainfall in some parts and its excess in some others are not to be rated as unusual developments. Weather-wise, taking the conditions in the country as a whole, 1971-72 was not an unusually bad year. But in comparing it particularly with the preceding year, it should not be forgotten that from the stand-point of weather 1970-71 was an exceptionally good year. Significantly enough, Rajasthan which had shown an increase of 4 million tonnes in its foodgrain output in 1970-71 over that in 1969-70, registered a decline of 2.5 million tonnes in 1971-72 from the level attained in the preceding year. Uttar Pradesh likewise lost in 1971-72 the entire addition of nearly 2 million tonnes it had made to its foodgrain output in the previous year. Apart from these, the states which suffered substantial losses are Maharashtra, Andhra Pradesh and Orissa. These losses were however made good, in part, by the gains accruing elsewhere. If on balance the aggregate foodgrain output in 1971-72 slide back from the peak of 1970-71, it is because it is not in the style of nature to bestow its bounty evenly over the years.

The prolonged dry spell during a good part of July and then again in later August in the 1972-73 season, coming as it did after the experience of 1971-72, only served as a rude reminder of the fact that, with an irrigated area still short of one-fourth of the total cropped area, the agriculture of the country continues to be dependent on the vicissitudes of weather.

For neutralising, even though in part, the incidence of instability, a buffer stock of foodgrains is of course indispensable; but, being costly to build and to operate, it cannot be indefinitely enlarged. A buffer stock policy ought to supplement rather than supplant a direct attack on the problem on instability through a reorientation in the production strategy. To start with the obvious: since the pay-off from irrigation consists not only in what it adds to production but also in what it adds to stability, it could often be more economic, at the margin, to invest in irrigation than in a larger buffer to buy the same measure of additional stability. In the production of rice where a breakthrough has so far eluded us, the high-yielding varieties have been consistently successful when raised as a summer crop. But the limiting factor in their spread during the rabi season has been the availability of irrigation water. The release of this constraint would not only help achieve increases in per hectare yield but also impart, as has happened in wheat, a measure of needed stability to the production of rice. Aided by vigorous expansion of irrigation, progressive shift of emphasis in the production of foodgrains from the kharif to

the rabi season ought perhaps to form an important plan of reorientation in the production strategy.

While research in evolving varieties which combine the properties of high yield and resistance to drought needs to be intensified, such available varieties of millets, for example, as can better withstand moisture stress could perhaps with advantage be made to replace, in a programme of production adjustments, other cereals in areas where their yield is relatively low such as rice in the uplands of Orissa.

However, the experience of 1970-71 and 1971-72 referred to above has underlined once again that a major element of instability in the production of of foodgrains derives from the fluctuating fortunes of coarse grains. In the areas of major concentration of coarse cereals, not only the existing facilities of irrigation are meagre but even the prospects for increasing them are none too bright. At any rate, with the provision of irrigation where feasible, sown area often tends to shift away from coarse grains to more lucrative crops. This being the situation, the possibilities of effecting a relative shift in the production of these cereals from areas which are highly vulnerable to drought to those which are less so, on the one hand, and of alternative land use pattern for the former, on the other, deserve to be explored. To induce such a shift, if on careful consideration it is found desirable, coarse grains would need to be supplied to the agricultural community in such areas through the public distribution system at a fair price.

Alongside of these measures, there is need to bring about a greater balance in the grain-wise composition of the buffer. If the elasticity of substitution between the several grains were infinite, it would be a matter of indifference as to which grain is held in the buffer. In the opposite case, where the elasticity of substitution is zero, the quantities of the different grains required to be held as buffer would depend, given the extent to which the fluctuations in their respective availabilities are sought to be ironed out, on the degree of fluctuations in the production of the individual grains. The reality, however, lies in between the two extremes. But since inter-grain substitutability is not perfect, one's capacity to influence the prices of one grain by operating a buffer in the other gets restricted. The buffer stock so far has been so heavily weighted in favour of wheat that the case for enlarging its rice and coarse grain components is obvious. The case for coarse grains is important for yet another reason: the producers and consumers of these grains are often poorer than those producing and consuming the superior cereals.

Taking into account the fluctuations in the production of coarse grains, the Commission is of the view that a target of about 2 million tonnes of these grains for the buffer might be aimed at in the near future. Considering the damage suffered by the kharif crops, there is of course a limit to the quantities that can be procured during the current year. But even during this year, there are states where the production of individual coarse grains is expected to be good so that fair quantities can be procured. For rice too, the rains received during the first half of September have improved the prospects. In addition, a special drive to step up the production of summer rice has been organised. These have enlarged the possibilities for the procurement of this cereal.

Followed by the drop in the foodgrain output of 1971-72, when adverse weather conditions cast their dark shadows on the prospects for the kharif crop of the current year, the market prices of foodgrains came under a severe upwarp pressure. The Economic Adviser's index of wholesale prices for foodgrains rose from 222 in April 1972 to 252 by the end of August 1972; the indices for the corresponding months in 1971 were 200 and 220 respectively. The prices of foodgrains sold through the public distri-

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bution system being lower than he open market prices, a progressive widening of differentials between the two increased he drawal of foodgrains from he public distribution system. Already in July 1972, the latter had reached a level of about 8.5 akh tonnes. Even allowing for a seasonal abatement in the off take with the arrival of the kharif harvest, the requirement of public distribution, given the present price situation, could well average around 9 lakh tonnes per month till the next rabi harvest in April-May 1973. Since on this basis the aggregate releases for the beginning of July to the end of March are likely to fall short only moderately of the total stock of 9.5 million tonnes at the beginning of July 1972, the stock with the public authorities at the beginning of the next financial year will crucially depend upon the procurement from out of the kharif output of the current year. The opening stock of nearly 6 million tonnes in April 1972, which imparted a measure of confidence in the management of the food economy of the country, is thus indicative of what ought to be achieved through the procurement of the kharif cereals. (Tables II to VII).

The Commission therefore recommends that the target for the procurement of rice for 1972-73 be fixed at 4.0 million tonnes and that for coarse grains at 0.6 million tonnes. The state-wise and grain-wise breakdown of these targets is presented in the Tables A, B, C and D.

In fixing these targets, the Commission has taken into account the condition of the crops in the various states, the likely improvements therein as a result of the recent rains and the special drive to increase the production of summer rice. The realisation of these targets would however require a tightening of the system of procurement, especially in those states where the procurement effort has been relaxed during the last few years.

In view of the wide differences in the rates of the levy specially on the rice millers, such a tightening requires the raising of these rates in states where they have been pitched unduly low or scaled down over the years. Having regard to the need for a serious procurement effort to strengthen the public distribution system in the present situation of high foodgrain prices, even monopoly procurement of paddy, wherever necessary, may be resorted to. (Table VIII).

The least that needs to be done is to extend the orbit of procurement by revoking the exemption from levy granted to the hullers. Since most of

TABLE A

Procurement Targets for Kharif Cereals, 1972-73

('000 tonnes)

State	Rice	Bajra	Maize
Andhra Pradesh	350		
Assam	100		
Bihar	30		
Gujarat	30	30	
Haryana	350	50	50
Himachal Pradesh			20
Jammu & Kashmir	80		
Kerala	100		
Madhya Pradesh	600		
Maharashtra	200		
Mysore	100		
Orissa	300		
Punjab	900		300
Rajasthan		30	
Tamil Nadu	250		
Uttar Pradesh	300	40	80
West Bengal	300		
Others	10		
All-India	**40,000**	**150**	**450**

TABLE B

Procurement Prices for Paddy, 1972-73

(Rs per quintal)

State	Standard Variety	1971-72	Recommended for 1972-73	
1	2	3	4	
Andhra Pradesh	Akkullu	51.00	53.00	2
Assam	Winter Sali (Coarse)	56.25	56.25	—
Bihar	Coarse	56.25	56.25	—
Gujarat	Sathi	55.00	56.00	1
Haryana	Begmi	51.00	53.00	2
Jammu & Kashmir	Coarse	47.00	49.00	2
Kerala	Palghat Matta	56.25	56.25	—
Madhya Pradesh	Gurmatia	56.00	56.00	—
Maharashtra	Coarse	58.00	58.00	—
Mysore	Coarse (raw)	50.00	52.00	2
Orissa	Medium*	53.00	55.00	2
Punjab	Begmi	51.00	53.00	2
Tamil Nadu	Kattaisamba	49.00	51.00	2
Uttar Pradesh	Grade III	54.00	56.00	2
West Bengal	Common	56.00	56.00	—

*In the years prior to 1971-72, the standard variety for which procurement price was fixed was the 'common' variety of paddy; from 1971-72 however it has been changed to the 'medium' variety.

Source : For column (3), Department of Food, Ministry of Agriculture.

TABLE C

Procurement Prices for Rice, 1972-73

(Rs per quintal)

State	Standard Variety	1971-72	Recommended for 1972-73	
1	2	3	4	
Andhra Pradesh	Akkullu	80.32	83.30	3
Bihar	Coarse	95.25	95.25	
Haryana	Begmi	88.80	91.80	3
Kerala	Palghat Matta	85.88	85.88	—
Madhya Pradesh	Gurmatia	86.30	86.30	—
Maharashtra	Coarse	81.00	81.00	—
Punjab	Begmi	88.80	91.80	3
Uttar Pradesh	Grade III	89.00	92.00	3
West Bengal	Common	92.90	92.90	—

Note : Prices are inclusive of cost of gunny in Haryana, Kerala, Madhya Pradesh and Punjab.

Source : For col. (3), Department of Food, Ministry of Agriculture.

TABLE D

Procurement Prices for Kharif Coarse Cereals, 1972-73

(Rs per quintal)

Cereal	Price	Price inclusive of *had hoc* premium
Bajra (FAQ)	55	57
Maize (FAQ)	55	57

the hullers, specially those in the surplus areas, are reported to be predominantly engaged in the milling of paddy for trading purposes, there seems to be little justification for exempting them from the levy. However, a lower rate of levy may be fixed for them to provide an in-built margin for custom milling undertaken by such hullers. Further, instead of the present practice of levy linked to quantities actually milled, which lends itself to various manipulations, the levy may be fixed in terms of a pre-determined quantity based on the average utilised capacity of a rice mill.

For ensuring a successful procurement of the coarse cereals, restrictions on their movement on private account from the regions wherever surpluses are localised may be imposed, as a temporary measure, during the current year. It would be unfortunate if the surplus maize production of Punjab, for example, which has an excellent crop this year, is allowed to flow into the hands of the private trade instead of being mopped up by the procuring agencies for release through the public distribution system in the scarcity areas. In connection with the procurement effort, the Commission would suggest that centres for the purchase of maize be increased in Himachal Pradesh, especially in the important producing districts of Kangra and Mandi.

In determining the level of the procurement prices, the Commission has considered the current trend of the market prices, the need to contain their rise and the requirements of procurement for feeding the public distribution system. Taking these several factors into account, it recommends that for the standard varieties of paddy the procurement prices for the 1972-73 season be raised by Rs 2 per quintal in States where the current procurement

TABLE I

Total Foodgrains : Area and Production

State	Area ('000 hectares)			Production ('000 tonnes)		
	1968-69	1969-70	1970-71	1968-69	1969-70	1970-71
1	2	3	4	5	6	7
Andhra Pradesh	8,932	9,436	9,180	6,847	7,400	6,887
Assam*	2,329	2,382	2,242	2,304	2,119	2,194
Bihar	9,809	9,926	9,773	8,870	7,546	8,146
Gujarat	4,844	4,948	5,101	2,346	3,221	4,406
Haryana	3,341	3,831	3,835	3,006	4,567	4,732
Himachal Pradesh	798	827	798	961	982	967
Jammu & Kashmir	808	803	809	1,099	1,151	1,081
Kerala	981	928	926	1,427	1,243	1,294
Madhya Pradesh	16,951	16,534	16,709	9,460	9,769	10,796
Maharashtra	13,259	13,594	12,921	7,157	6,914	5,590
Mysore	7,374	7,878	7,187	5,040	5,891	5,962
Nagaland	60	60	67	53	50	74
Orissa	5,487	5,748	5,918	5,429	5,033	5,151
Punjab	3,563	3,907	3,836	6,252	6,937	7,024
Rajasthan	11,117	11,371	12,836	4,007	4,750	8,813
Tamil Nadu	4,810	5,163	5,240	5,415	6,239	7,025
Uttar Pradesh	19,397	19,428	19,664	16,296	17,547	19,483
West Bengal	5,867	6,137	6,148	7,162	7,364	7,418
All-India	1,20,430	1,23,570	1,23,870	94,013	99,501	1,07,811

* Figures for Assam include those for Meghalaya. **Source** : Directorate of Economics & Statistics, Ministry of Agriculture.

TABLE II

Distribution of Foodgrains ('000 tonnes)

Months	1970				1971				1972			
	Rice	Wheat	Others	Total	Rice	Wheat	Others	Total	Rice	Wheat	Others	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
January	281	511	53	845	170	390	13	573	247	530	5	782
February	223	517	49	789	202	374	9	585	259	586	17	862
March	238	517	41	796	196	401	7	604	293	700	14	1,007
April	250	433	43	726	225	321	6	552	256	459	25	740
May	268	359	51	678	228	305	8	541	266	531	12	809
June	279	438	51	768	246	320	11	577	296	531	12	839
July	306	467	51	824	286	332	18	636	322	502	33	857
August	273	472	36	781	297	364	20	681				
September	276	461	29	766	323	408	17	748				
October	234	417	14	665	324	412	7	743				
November	201	391	12	604	316	436	9	761				
December	235	364	14	613	328	392	11	731				
TOTAL :	3,064	5,347	444	8,855	3,141	4,455	136	7,732				

Source : Department of Food, Ministry of Agriculture.

Prices are Rs 54 per quintal or below and by Re 1 where they are Rs 55 per quintal. In the states where the current procurement prices for the standard varieties of paddy are already Rs 56 per quintal or above, no increase be allowed. In all cases of increase in paddy prices, procurement prices for rice may be upgraded correspondingly. As for the kharif coarse cereals, the existing procurement prices may be continued for the 1972-73 season; over and above these, an *ad hoc* premium of Rs 2 per quintal may be given. The recommended procurement prices are presented in the Tables below.

The prices recommended being for the standard varieties, those for the other varieties may be fixed keeping in view the normal varietal differences. The procurement prices for paddy, rice and coarse cereals in the union territories may be fixed on the basis of those for the adjoining states.

It has been argued that the procurement price for parboiled rice to fixed higher than that for raw rice on the ground that the cost of processing the former in modern rice mills is higher than the processin cost for the latter. While considering this question, the Commission has found that the higher cost of processing through modern methods in the case of parboiled rice is based on a certain technology the appropriateness of which in the conditions obtaining in this country needs to be examined. Since a Committee of Experts has recently been set up for the purpose by the National Cooperative Development Corporation, the Commission is of the view that the consideration of this question be deferred till the Report of the Committee becomes available.

(Dharm Narain)
(V. S. VYAS)

September 18, 1972.

TABLE III

Index Numbers of Wholesale Prices

(Base : 1961-62=100)

Commodity	Year	November	December	January	February	March	April	May	June	July	August	September	October
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Rice	1970-71	198.8	188.2	189.8	191.7	193.5	196.9	199.9	203.4	207.9	212.9	214.5	210.2
	1971-72	204.9	196.3	199.1	201.2	204.4	211.2	216.9	222.1	231.6	241.9		
	Percentage Change	+3.1	+4.3	+4.9	+5.0	+5.6	+7.3	+8.5	+9.2	+11.4	+13.6		
Jowar	1970-71	178.7	189.0	196.7	197.0	198.0	193.3	194.2	193.1	201.3	213.4	219.9	216.6
	1971-72	214.7	220.0	220.0	216.9	221.1	220.5	222.6	227.1	234.6	243.4		
	Percentage Change	+20.1	+16.4	+11.6	+10.1	+11.7	+14.1	+14.6	+17.6	+16.5	+14.1		
Bajra	1970-71	138.4	143.4	141.7	136.9	131.7	127.7	127.1	138.5	144.5	146.7	148.1	151.2
	1971-72	161.8	160.6	169.7	170.8	179.1	180.6	186.2	196.7	207.9	218.4		
	Percentage Change	+16.9	+12.0	+19.8	+24.8	+36.0	+41.4	+46.5	+42.0	+43.9	+48.9		
Maize	1970-71	163.3	163.4	173.4	169.5	168.7	170.0	173.7	179.3	175.7	181.9	163.6	179.0
	1971-72	187.2	185.4	208.8	214.9	223.8	219.6	222.0	231.8	243.7	249.1		
	Percentage Change	+14.6	+13.5	+20.4	+26.8	+32.7	+29.2	+27.8	+29.3	+38.7	+36.9		
Ragi	1970-71	135.8	158.6	163.9	167.8	161.3	159.8	159.4	164.7	175.7	189.6	182.7	179.2
	1971-72	181.4	190.4	193.7	191.1	185.6	182.0	180.2	181.1	185.2	190.0		
	Percentage Change	+16.4	+20.1	+18.2	+13.9	+15.1	+13.9	+13.0	+10.0	+ 5.4	+0.2		
Cereals	1970-71	194.9	189.7	192.9	193.6	193.9	1 4.0	194.6	197.2	200.6	206.0	207.8	204.7
	1971-72	203.7	199.6	204.7	206.1	208.5	209.0	211.5	217.0	225.2	234.3		
	Percentage Change	+4.5	+5.2	+6.1	+6.5	+7.5	+7.7	+8.6	+10.0	+12.3	+13.7		
Foodgrains	1970-71	203.8	200.2	202.7	201.1	200.3	200.1	201.0	205.4	210.7	219.8	221.9	219.9
	1971-72	219.5	215.3	221.0	221.7	222.6	221.7	224.3	234.1	243.0	252.0		
	Percentage Change	+7.7	+7.5	+9.0	+10.2	+11.1	+10.8	+11.6	+14.0	+15.3	+14.6		

Source : Office of the Economic Adviser, Ministry of Industrial Development.

TABLE IV

Rice : Wholesale Prices

(Rs per quintal)

State/Centre	Year	November	December	January	February	March	April	May	June	July	August	September	October
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Andhra Pradesh Nizamabad	1970-71	95.00	78.00	90.00	90.00	96.00	98.00	102.00	102.00	120.00	130.00	129.00	129.00
	1971-72	130.00	114.00	116.00	116.00	120.00	120.00	123.00	130.00	130.00	130.00		
	Percentage Change	+36.8	+46.2	+28.9	+28.9	+25.0	+22.9	+20 6	+27.4	+8.3			
Bihar Dumka	1970-71	118.00	115.00	123.00	125.00	125.00	129.00	133.00	134.00	134.00	139.00	138.00	142.00
	1971-72	105.00	123.00	120.00	125.00	137.00	137.00	142.00	160.00	165.00	163.00		
	Percentage Change	—11.0	+7.0	—2.4	0.0	+9.6	+6.2	+6.8	+19.4	+23.1	+17.3		
Gujarat Rajkot	1970-71	130.00	137.50	135.00	145.00	122.50	130.00	133.75	136.25	137.50	143.75	141.25	140.05
	1971-72	137.50	142.50	145.60	151.25	161.85	175.25	160.00	167.50	175.00	172.50		

(*Continued*)

Table IV

Rice : Wholesale Prices (*Continued*)

1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Percentage Change	+5.8	+3.6	+7.9	+4.3	+32.1	+34.8	+19.6	+22.9	+27.3	+20.0		
Madhya Pradesh	1970-71	100.00	100.00	100.00	100.00	100.00	95.00	95.00	95.00	95.00	100.00	100.00	105.00
Durg	1971-72	100.00	100.00	100.00	100.00	110.00	110.00	105.00	120.00	120.00	120.00		
	Percentage Change	0 0	0.0	0.0	0.0	+10.0	+15.8	+10.5	+26.3	+26.3	+20.0		
Mysore	1970-71	90.00	84.00	95.00	100.00	110.00	108.00	100.00	112.00	103.00	112.00	118.00	118.00
Shimoga	1971-72	112.00	108.00	108.00	102.00	115.00	117.00	118.00	115.00	118.00	115.00		
	Percentage Change	+24.4	+28.6	+13.7	+2.0	+15.0	+8.3	+18.0	+2.7	+14.6	+2.7		
Orissa	1970-71	95.00	95.00	95.00	105.00	100.00	105.00	110.00	105.00	105.00	115.00	110.00	110.00
Angul	1971-72	110.00	110.00	115.00	115.00	115.00	124.00	129.00	124.00	132.00	115.00		
	Percentage Change	+15.8	+15.8	+21.1	+9.5	+15.0	+18.1	+17.3	+18.1	+25.7	+17.4		
Uttar	1970-71	109.85	96.45	101.81	99.13	99.13	101.81	107.17	113.87	115.21	115.21	109.85	103.15
Pradesh	1971-72	101.81	99.13	115.21	121.91	117.89	117.89	118.00	107.17	140.60	140.00		
Balrampur	Percentage Change	—7.3	+2.8	+13.2	+23.0	+18.9	+15.8	+10.1	—5.9	+21.5	+21.5		
West Bengal	1970-71	105.00	118.00	110.00	112.00	112.00	125.00	128.00	125.00	125.00	130.00	128.00	122.00
Sainthia	1971-72	112.00	126.00	120.00	124.00	130.00	138.00	136.00	141.00	156.00	185.00		
	Percentage Change	+6.7	+6.8	+9.1	+10.7	+16.1	+10.4	+6.3	+12.8	+24.8	+42.3		

Table V

Jowar : Wholesale Prices

(Rs per quintal)

State/Centre	Year	November	December	January	February	March	April	May	June	July	August	September	October
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Andhra	1970-71	67.00	70.00	69.00	69.00	66.00	68.00	68.00	74.00	80.00	97.00	103.00	94.00
Pradesh	1971-72	75.00	90.00	75.00	75.00	76.50	83.00	80.00	90.00	95.50	89.00		
Vijayawada	Percentage Change	+11.9	+28.6	+8.7	+8.7	+15.9	+22.1	+17.6	+21.6	+19.4	—8.2		
Gujarat	1970-71	92.50	92.50	100.00	105.00	105.00	105.00	100.00	97.00	95.00	96.00	105.00	110.00
Surat	1971-72	110.00	105.00	90.00	100.00	95.00	95.00	95.00	94.00	95.00	95.00		
	Percentage Change	+18.9	+13.5	—10.0	—4.8	—9.5	—9.5	—5.0	—3.1	0.0	—1.0		
Haryana	1970-71	42.00	43.00	50.00	51.50	51.50	54.00	53.00	53.00	43.70	43.70	55.00	55.00
Rohtak	1971-72	45.00	51.00	51.00	65.00	75.00	82.00	85.00	75.00	80.00	80.00		
	Percentage Change	+7.1	+18.6	+2.0	+26.2	+45.6	+51.9	+60.4	+60.4	+83.1	+83.1		
Madhya	1970-71	65.00	62.00	75.00	72.00	76.00	68.00	68.00	65.00	75.00	75.00	85.00	76.70
Pradesh	1971-72	83.00	78.00	76.70	82.00	82.00	83.00	84.50	90.00	90.00	96.50		
Ujjain	Percentage Change	+27.7	+25.8	+2.3	+13.9	+7.9	+22.1	+24.3	+38.5	+20.0	+28.7		
Mysore	1970-71	90.00	95.00	95.00	99.00	93.00	89.00	86.00	88.00	88.00	93.00	95.00	96.00
Hubli	1971-72	97.00	95.00	95.00	95.00	96.00	95.00	95.00	94.00	100.00	114.00		
	Percentage Change	+7.8	0.0	0.0	—4.0	+3.2	+6.7	+10.5	+6.8	+13.6	+22.6		
Rajasthan	1970-71	50.00	51.00	62.00	55.00	55.00	50.00	60.00	57.00	55.00	68.00	70.00	70.00
Ajmer	1971-72	65.00	68.00	83.00	79.00	85.00	90.00	88.00	105.00	93.00	97.00		
	Percentage Change	+30.0	+33.3	+33.9	+43.6	+54.5	+50.0	+46.7	+84.2	+69.1	+42.6		
Uttar	1970-71	55.00	63.00	70.00	65.00	67.00	68.00	67.00	72.00	73.00	82.00	70.00	83.00
Pradesh	1971-72	67.00	70.00	74.00	73.00	76.00	71.00	77.00	88.00	90.00	84.00		
Jhansi	Percentage Change	+21.8	+11.1	+5.7	+12.3	+13.4	+4.4	+14.9	+22.2	+23.3	+2.4		

TABLE VI

Bajra : Wholesale Prices

(Rs per quintal)

State Centre	Year	November	December	January	February	March	April	May	June	July	August	September	October
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Andhra	1970-71	50.00	51.00	50.00	50.00	51.00	62.50	66.25	67.00	66.00	65.00	65.50	70.00
Pradesh 1	1971-72	67.50	68.12	77.50	80.00	76.00	85.00	82.00	98.00	95.00	100.00		
Anakapalli	Percentage Change	+35.0	+33.6	+55.0	+60.0	+49.0	+36.0	+23.8	+46·3	+43.9	+53.8		
Gujarat 2	1970-71	61.75	66.25	57.50	63.75	58.05	53.75	55.00	62.55	62.50	69.00	66.25	73.00
Rajkot	1971-72	76.25	76.50	70.60	80.65	84.15	82.25	85.00	84.35	100.00	107.50		
	Percentage Change	+23.5	+15.5	+22.8	+26.5	+45.0	+53.0	+54.5	+34.9	+60.0	+55.8		
Haryana 3	1970-71	55.00	55.00	48.50	52.00	43.00	37.00	45.00	45.50	45.00	45.00	45.00	43.00
Hissar	1971-72	57.00	62.00	61.50	63.00	68.00	62.00	71.10	78.00	80.00	80.00		
	Percentage Change	+3.6	+12.7	+26.8	+21.2	+58.1	+67.6	+58.0	+71.4	+77.8	+77.8		
Madhya	1970-71	70.00	60.00	65.00	62.50	55.00	60.00	60.00	62.50	63.75	67.50	66.25	65.00
Pradesh 1	1971-72	60.00	63.75	68.12	72.50	68.00	68.00	62.50	62.50	70.00	70.00		
Bhind	Percentage Change	—14.3	+6.3	+4.8	+16.0	+23.6	+13.3	+4·2	0.0	+9.8	+3.7		
Maha-	1970-71	80.00	85.00	71.00	60.00	56.00	52.00	57.00	61.00	64.00	75.00	65.00	—
rashtra 1	1971-72	—	—	67.00	69.00	70.00	72.00	85.00	87.00	100.00	91.00		
Akola	Percentage Change	—	—	—5.6	+15.0	+25.0	+38.5	+49.1	+42.6	+56.3	+21.3		
Rajasthan 1	1970-71	61.00	60.50	50.00	45.00	43.50	38.00	40.00	42.00	44.50	52.50	44.00	54.00
Jodhpur	1971-72	55.00	60.00	60.00	60.00	67.00	70·00	72.00	79.00	84.00	80.00		
	Percentage Change	—9.8	—0.8	+20.0	+33.3	+54.0	+84.2	+80.0	+88.1	+88.8	+52.4		
Tamil	1970-71	58.75	60.00	65.00	67.50	66·25	65.00	65.00	67.50	71.25	75.00	75.00	73.00
Nadu 1	1971-72	80.00	90.00	75.00	75.00	75.00	75.00	83.33	83.33	70.00	72.00		
Erode	Percentage Change	+36.2	+50.0	+15.4	+11.1	+13.2	+15.4	+28.2	+23.5	—1.8	—4.0		
Uttar	1970-71	57.00	64.00	60.00	51.00	53.00	50.00	—	55.00	57.00	60.00	50.50	53.00
Pradesh 1	1971-72	55.00	60.00	62.00	62.00	69.00	70.00	71.00	78.00	85.00	88.00		
Agra	Percentage Change	—3.5	—6.3	+3.3	+21.6	+30.2	+40.0	—	+41.8	+49.1	+46.7		

1. Local. 2. Deshi. 3. Coarse.

TABLE VII

Maize : Wholesale Prices

(Rs per quintal)

State/ Centre	Year	November	December	January	February	March	April	May	June	July	August	September	October
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Andhra	1970-71	49.25	49.80	54.25	53.00	51.60	53.90	57.20	61.00	66.75	65.75	64.00	53.25
Pradesh 1	1971-72	63.00	66.50	69.00	69.25	73.00	68.00	70.75	78.00	86.10	93.30		
Nizamabad	Percentage Change	+27.9	+33.5	+27.2	+30.7	+41.5	+26.2	+23.7	+27.9	+29.0	+41.9		
Bihar 1	1970-71	55.00	55.00	54.00	62.50	65.00	70.00	72.50	78.00	64.00	70.00	75.00	87.50
Bhagaria	1971-72	82.00	75.00	80.00	80.00	85.00	80.00	76.25	80.00	80.00	95.00		
	Percentage Change	+49.1	+36.4	+48.1	+28.0	+30.8	+14.3	+5.2	+2·6	+25.0	+35.7		
Gujarat	1970-71	60.00	61.00	60.00	60.00	60.00	61.50	63.50	63.50	65.00	66.00	57.00	57.00
Sabarkantha	1971-72	62.00	73.00	71.00	74.00	74.00	79.00	82.00	83.00	85.00	87.00		

(*Continued*)

TABLE VII

Maize : Wholsale Prices (*Continued*)

1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Percentage Change	+3.3	+19.7	+18.3	+23.3	+23.3	+28.4	+19.7	+30.7	+30.8	+31.8		
Madhya Pradesh 2	1970-71	57.00	60.00	75.00	79.00	78.00	78.00	78.00	78.00	80 00	80 00	65.00	78.00
Chhindwara	1971-72	60.00	65.00	65.00	5.00	66.00	60.00	70.00	75.00	80.00	78.00		
	Percentage Change	+5.3	+8.3	−13.3	−17.7	−15.4	−23.1	−10.3	−3.9	0.0	−2.5		
Mysore	1970-71	62 00	60 00	69.00	63.00	62.00	55.00	58.00	64.00	65 00	78 00	63.00	60.00
Gokak	1971-72	60.00	66.00	68.00	66.00	65.00	65.00	75.00	80.00	86.00	90.00		
	Percentage Change	−3.2	+10.0	−1.4	+4.8	+4.8	+18.2	+29.3	+25.0	+32.3	+15.4		
Punjab 3	1970-71	55.50	55 00	57.00	54.75	54.00	55.00	56.00	55.00	56.00	65.00	55.00	55.00
Ludhiana	1971-72	55.25	48.00	64.50	63.25	67.00	69.00	68.00	75.00	82.00	82.50		
	Percentage Change	−0.5	−12.7	+13.2	+15.5	+24.1	+25.5	+21.4	+36.4	+46.4	+26.9		
Rajasthan 2	1970-71	56 00	55.00	61.00	56.00	56.00	55.00	62.00	63.00	58.00	60.00	68.00	56.00
Ajmer	1971-72	66.00	60.00	65.00	86.00	72.00	70.00	71.00	81.00	78.00	88.00		
	Percentage Change	+17.9	+9.1	+8.6	+17.9	+28.6	+27.3	+14.5	+28.6	+34.5	+46.7		
Uttar	1970-71	53.58	54.92	57.60	57.50	52.26	53.58	57.60	56.26	58.94	65.00	65.52	64.30
Pradesh 4	1971-72	66.98	75.00	83.05	85.74	72.34	76.00	78.00	90.00	85.00	85.00		
Bahraich	Percentage Change	+25.0	+36.6	+44.2	+49.1	+38.4	+41.8	+35.4	+60.0	+44.2	+30.8		

1. Red. 2. Yellow. 3. Coarse. 4, White (FAQ)

TABLE VIII

Kharif Cereals : Procurement System

States	1970-71	1971-72
1	2	3
Andhra Pradesh	50 per cent levy on rice millers in Krishna & West Godavari Districts and 25 per cent in the rest of the State. Direct purchases of paddy from producers at procurement prices.	75 per cent levy on rice millers in Krishna & West Godavari Districts, 50 per cent in Guntur, Nellore, Prakasam, East Godavari, Visakhapatnam and Srikakulam districts and 25 per cent in the remaining districts.
Assam	Monopoly procurement of paddy.	Monopoly procurement of paddy.
Bihar	40 per cent levy on rice millers/dealers.	25 per cent levy on rice millers/dealers.
Gujarat	Open market purchases at support prices.	Open market pruchases at support prices.
Haryana	Rice : 82 per cent levy on millers. Paddy, Jowar, Bajra, Maize : Procurement under price support scheme.	Rice : 82 per cent levy on millers. Paddy, Jowar, Bajra, Maize : Procurement under price support scheme.
Jammu & Kashmir	Paddy and Maize : Direct purchases from producers.	Paddy and Maize : Direct purchases from producers.
Kerala	Producer levy on paddy.	Producer levy on paddy.
Madhya Pradesh	Rice : 60 per cent levy on millers/dealers. Jowar, Bajra, Maize : Purchases at support prices.	Rice : 60 per cent levy on millers/dealers. Jowar, Bajra, Maize : Purchases at support prices.
Maharashtra	Monopoly procurement for paddy, rice, jowar, ragi.	Monopoly procurement for paddy, rice, jowar, ragi.
Mysore	Levy on producers.	Levy on producers.
Orissa	Monopoly procurement for paddy.	Monopoly procurement for paddy.
Punjab	Rice : 82 per cent levy on millers. Bajra, Maize : Open market purchases.	Rice : 82 per cent levy on millers. Bajra, Maize : Open market purchases.
Rajasthan	Paddy, Jowar, Bajra, Maize : Open market purchases.	Paddy Jowar, Bajra, Maize : Open market purchases.
Tamil Nadu	Paddy, Rice : 25 per cent levy on purchase/ movement in Thanjavur district and 15 per cent in Kanyakumari, Tirunelveli and two taluks of Madurai district.	Paddy, Rice : 25 per cent levy on purchase/ movement in Thanjavur district and 15 per cent in Kanyakumari, Tirunelveli and two taluks of Madurai district.
Uttar Pradesh	Rice : 60 per cent levy on millers. Jowar, Bajra, Maize : Open market purchases.	Rice : 60 per cent levy on millers. Jowar, Bajra, Maize : Open market purchases.
West Bengal	Paddy, Rice : Producer levy, levy on millers, voluntary purchases.	Paddy, Rice : Producer levy, levy on milers. voluntary purchases.

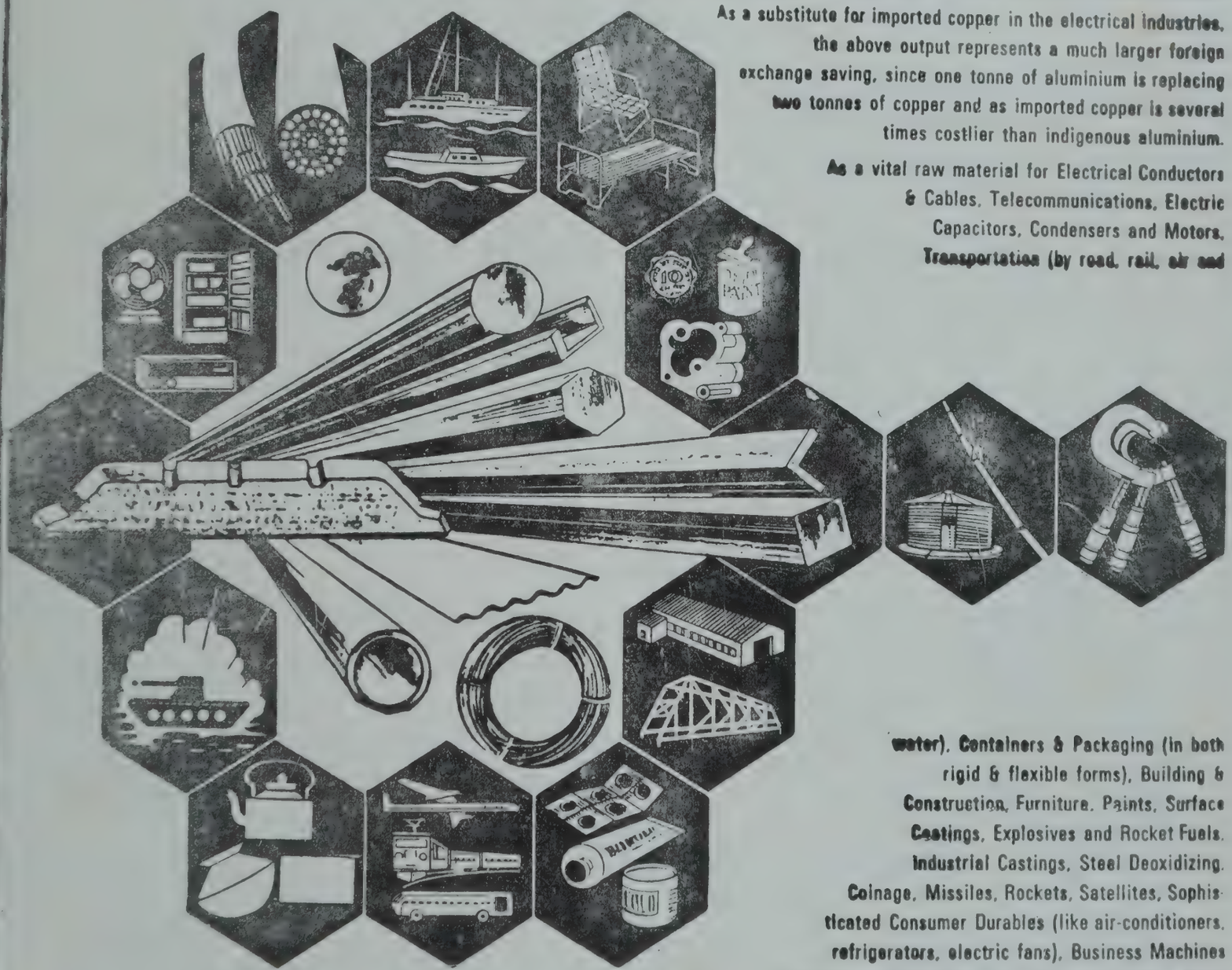
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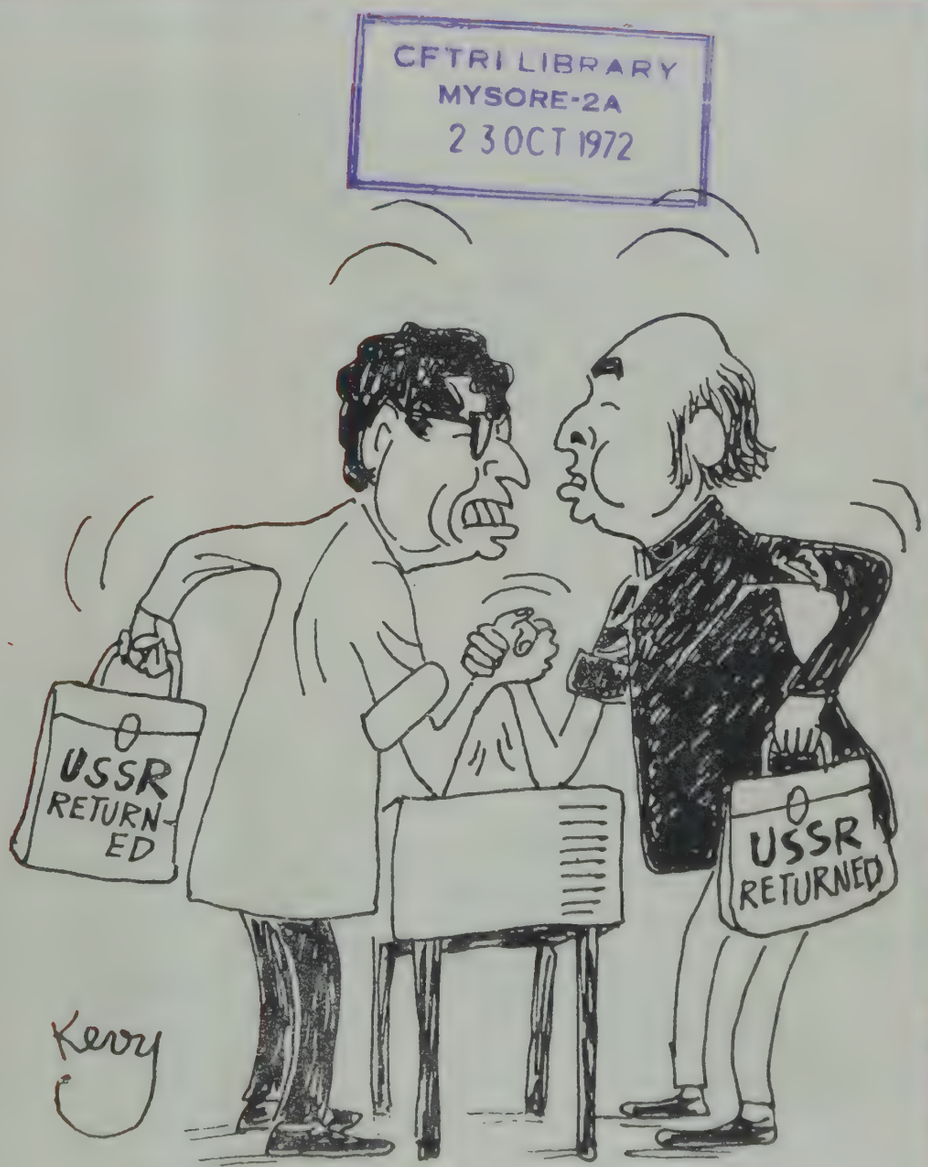
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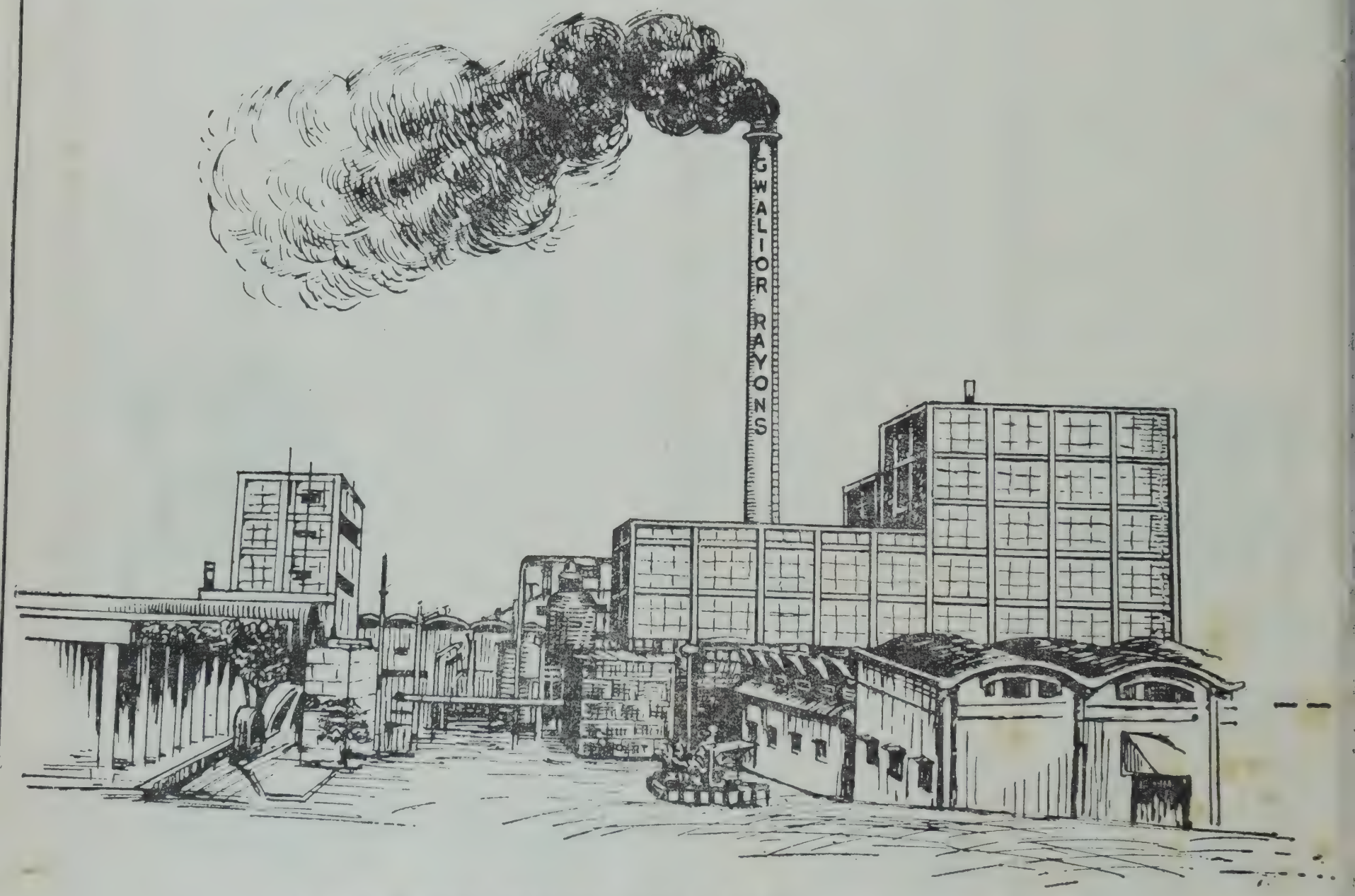
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Joan of Arc or Calamity Jane?

Some time ago the Prime Minister was asked somewhere by someone about her favourites in history and it was reported that one of the personages she named was Joan of Arc. This was at about the time hen she was strenuously jousting against the so called syndicate and trying to establish r ascendency in government and party. As she kept pulling off one political trick er another, she herself began to acquire a Joan-of-Arc image. Bangladesh served to p the process. The question is where does she — and where do we — go from here.

In every Joan of Arc, there lurks, perhaps, a Calamity Jane. The Prime Minister ould do well to ponder this, especially because almost all her attitudes or acts in onomic field seem to be pushing the country into a chaos from which can emerge only mething which is even worse. It all began with the nationalization of banks. A v days ago Mrs Gandhi was pleased to say that she did not approve of nationalization r the sake of nationalization. Falling from her lips, this was nothing but a sick joke. ie nationalization of banks was pure — if this is the word — politics from beginning end. It could not have been seriously intended to bring any benefit to the economy the people — and it has brought none. On the contrary it has put a premium on efficiency and irresponsiblity in the banking system and it has made bank money a ghteningly inflationary force in the economy. Among the causes of the rising prices at plague us today is the abuse of bank credit by and at the instigation of the govern-ent.

Once the last pie of political profit had been squeezed out of bank nationalization, e ruling party began staging its circus show of land ceilings. Precious national time s been wasted on highly irrelevant and basically dishonest exercises, the main purpose which seems to be to mislead the more ignorant or credulous sections of the electorate o believing that great deeds are being done for redistributing wealth in land to the vantage of the poor and the dispossessed in the countryside. In reality all that has en done is to generate instability and uncertainty in the farm economy in a way and an extent which cannot do any good to the further progress of the already hesitant en revolution. Carrying this make-believe and organized deception further, the ing party has been beating another set of ideological big drums, this time about a ling on urban property. Once again it is publicly known and privately admitted that ere will be no real gain in this for the poor in the land as there may not be any real eat in it either to the privileged positions of the rich or the powerful in our society.

Meanwhile the 'garibi hatao' campaign has been grinding in its lowly groove. Mr Subramaniam who was called upon to do a jack-in-the box act in the planning com-ssion produced an approach paper for a fifth Plan which proposed to make bricks thout straw. He wanted to spend a lot of money on anti-poverty programmes, but not take the trouble of indicating what were to be the programmes which uld generate the corresponding resources. This lapse was so obvious that the app-ch paper promptly became a reproach directed towards the entire government. cording to current reports Mr Subramaniam's successor in the Planning ministry has en trying to put more credibility into this particular transaction. Mr Dhar is stated have realized that, without large investments in resource-generating sectors, the 'gari-hatao' programme would become bankrupt even before it goes into business.

The present Planning minister, however, is also a politician, and even if he is ong where Mr Subramaniam was weak, he could well be weak where Mr Subramaniam s strong. There are already unhappy indications that he is no more able than most liticians in the government to resist skillfully manipulated pressures from within ruling party. His performance at the latest meeting of his party's working mmittee, when the sterile debate on the public sector *versus* the private sector was ived, was certainly not such as to inspire confidence in those who may desire that country's economy should be managed in a practical and sensible manner so that wth is not depressed with disastrous results for the people, particularly the poor the country. When banks were nationalized the Prime Minister found it possible to e that decision in the course of a few hours of an afternoon. Again, when she found t it was politically necessary or profitable to announce a decision on the bonus issue, lid not take her more than a few days to make up her mind. But where it is a question political road-blocks being removed or administrative hurdles carted away for the rpose of facilitating investment in or the processing of new industrial projects, the ening of factories or the creation of employment and income opportunities for the ucated or other unemployed, she and her government are allowing months and even rs to pass without a single constructive or creative move on her or its part. Thus we e the sorry spectacle of the Minister for Industrial Development promising the blic from week to week that the government is about to come out with a liberaliz-redefinition of its industrial policy, while being quite unable to succeed in suading the Prime Minister of the importance or urgency of this exercise.

Industrial expansion, evidently, is not a matter of priority for this government.

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benefit of reduced prices of raw materials to the consumer, the corporation believes that it has a right to charge exhorbitant prices for imported goods. By doing so, the corporation removes any possibility of the prices coming down for the consumer. Moreover, this provides a convenient mode of covering up losses incurred by the corporation elsewhere, especially in exports. The danger lies in the corporation covering its inefficiencies elsewhere through profiteering in commodities which are in short supply in the country. If the profits made by the corporation are used for developmental purposes and not for covering up its inadequacies elsewhere, the corporation may perhaps be justified in adopting this procedure. At the time of going to the press, the balance sheet of the MMTC has not been made available and hence it is not possible to find out to what extent its losses in export have been covered by profiteering in the sale of scarce imported commodities.

Foodgrains and the states

In its report on price policy for kharif cereals in the current year, the Agricultural Prices Commission (APC) has stressed both long-term and short-term solutions to the food problems of this country. The commission has suggested that the target for the procurement of rice in the kharif season should be fixed at four million tonnes and that for coarse cereals at 600,000 tonnes. This is the main short-term recommendation designed to build up buffer stocks of foodgrain which are being currently drawn upon at the rate of 900,000 tonnes a month. It means that the stocks of foodgrains estimated to be around 9.5 million tonnes in July this year would stand fully exhausted by March next year if replenishments were not promptly made. It is in this context that the commission has suggested that all efforts should be made to tighten the system of procurement in those states particularly where the procurement process has been lax hitherto.

In order to facilitate the attainment of the procurement targets for paddy, rice and coarse cereals, the commission has also suggested an increase by two rupees a quintal in the procurement price for paddy in the states of Andhra Pradesh, Haryana, Jammu & Kashmir, Mysore, Orissa, Punjab, Tamil Nadu and Uttar Pradesh. In Gujarat alone a rise of one rupee a quintal has been suggested. The central point in this recommendation is that the proposed increments in procurement prices should not raise them beyond Rs 56 a quintal. Wherever the prices have already attained that level, no rise in procurement price for paddy has been recommended. To this category belong the states of Assam, Bihar, Kerala, Madhya Pradesh, Maharashtra and West Bengal. In the case of rice, an increase of three rupees a quintal has been suggested in the states of Andhra Pradesh, Haryana, Punjab, and Uttar Pradesh. No increases have been suggested for procurement of rice in Bihar, Kerala, Madhya Pradesh, Maharashtra and West Bengal. In the case of bajra and maize, a rise of two rupees a quintal has been suggested.

It may be recalled that in recent years the commission has been regularly suggesting a drop in the procurement prices for rabi cereals, a suggestion which has been regularly turned down by the centre under pressure from the state governments. The chief ministers, who assembled in the capital on September 30 for reviewing the report of the Agricultural Prices Commission, asked for bigger incentives, specially much higher increases in procurement prices of kharif cereals. The centre has refused to be browbeaten by the pressure tactics of the states and has made them agree to the suggestions of the commission. In fixing procurement prices, the larger question of holding the price line cannot be ignored at this juncture. Moreover, the APC has made this suggestion after taking into account all the relevant factors. This is the one expert body in the country which is constantly studying and reviewing the trends in production and prices of cereals; hence its considered views merit consideration.

The recent data in regard to foodgrain production has shown that we are currently passing through a downtrend in the cycle. The peak output of 108 million tonnes in 1970-71 has been followed by a probable production of 106 million tonnes in 1971-72; no official estimates in this regard have been released so far. The prolonged dry spell in July-August this year has cast a gloom over prospects of kharif crops this year and a further downtrend in the production of foodgrains in the current year is forecast. It is in view of this dicouraging trend in production that the commission has asked the government to devote increased attention to long-term solutions. To believe that stocks of nine to 10 million tonnes of foodgrains will suffice in carrying this country through a succession of bad years is to be unduly optimistic. The commission, therefore, has rightly come to the conclusion that "since a buffer stock of foodgrains, being costly to build and to operate cannot be indefinitely enlarged, the buffer stock policy should supplement rather than supplant a direct attack on the problem of instability in the country's foodgrains economy through a reorientation in the production strategy." The commission has drawn attention to the need for extending the area under irrigation which at present does not cover even one-fourth of the area under food crops. The need for extending irrigational facilities so as to reuce the dependence on the rain god has been rightly emphasised. Besides tackling the problem of increased production in foodgrains in general the commission has also emphasised the importance of increased balance in the grain-wise position of the buffer stocks. The share of the coarse grains and rice in these stocks should be progressively increased since hitherto the bulk of the stocks have been that of wheat.

The APC has suggested that the distribution system should be given increased attention. On this subject, the Congress Working Committee (CWC) in its latest Economic Policy resolution has been rather vague and has not spelt out its thinking in clear language. All that it says is that "price stability must be ensured by organising a public distribution system which would make available to the vulnerable sections of our society selected essential commodities of daily use at reasonable prices. This would involve the take-over of the wholesale trade in foodgrains by the states."

What are the implications of this 'take over'? Is it expected that the wholesale trade all over the country would finally be under state auspices? If so, the CWC has been hasty and has not analysed the implications of such a drastic step. Even in the worst years, foodgrains distribution has been taken over by the states only in some of the urban areas while the smaller towns and villages have been left out of the

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distribution system altogether. The take-over by the states of the wholesale trade in foodgrains all over the country is likely to create more problems than it may solve.

There is also the chronic complaint that the foodgrains supplied through the fair price shops are of "less than average" variety. This is a matter which should be looked into. It is not only the quantity of food which is distributed through the fair price shops which matters but also its quality. Some families in the middle and upper income groups in the country never go in for rations distributed through the so-called fair price shops because of the poor quality of foodgrains. It is necessary that increased attention should be paid to the quality as well as the price or availability of foodgrains distributed through fair price shops.

Reconstruction in W. Bengal

ALTHOUGH THE Industrial Reconstruction Corporation of India has now been functioning for over a year, there still seems to be some misunderstanding about its exact role. An impression appears to prevail in certain quarters that the Corporation is only another lending institution which provides money to those who seek it. This is clear from the speech delivered by Mr V. V. Chari, Vice-Chairman of the Corporation, at its first annual meeting held in Calcutta on the September, 12. Mr Chari revealed that since its inception on April 24, 1971 till June 30, 1972, the Corporation had received 341 applications, "mostly requests" in the form of simple letters", out of which the number of applications sanctioned was 48. The Corporation did not accede to 51 requests for assistance as these units did not show any potential for viability after revival. About 57 cases were directed to banks and other financial institutions who were the appropriate authority to provide assistance to them. The processing of 32 cases was taken up while the study of 13 cases was kept pending due to some reason or the other. The number of cases in hand which the Corporation has yet to process is 123.

The Corporation's record in the first year of its operation may seem satisfactory, considering the peculiar situation in West Bengal and its initial difficulty in getting an adequate number of the right type of technical and managerial personnel. As Mr Chari said, "The IRCI started its operations at a time when the industrial and political climate in the state of West Bengal was none too happy and there were severe problems of management indifference, labour unrest, and unemployment. Many units had been lying closed and several others were on the verge of closure". But one wonders whether the Corporation thoroughly examines the viabilities of the projects before rejecting their requests for assistance. The late Mr B. B. Ghosh who was the first chairman of the Corporation gave the assurance when it was started that it would adopt a positive and dynamic approach to the problem of reviving the sick and closed units. He said "It must not say 'No' to any industry in distress without exploring all possible means of saving the unit. In other words it has to find ways and means of reopening and revitalising a unit so that the Corporation can come to its support. It must be prepared to try all possible devices managerial and technical to achieve the object". But since as many as 51 cases for assistance were rejected, doubt arises whether the Corporation really examined their problems with sympathy.

Engineering units have figured prominently among those who have been assisted by the Corporation. In the first year 24 units in the engineering group were sanctioned assistance amounting to Rs 240.09 lakhs. The funds released for them were Rs 94.03 lakhs and the amount arranged through banks was Rs 184.18 lakhs. The number of workers involved in these units was 10,683. Of these 24 units, 17 belonged to the small scale sector. Of the remaining 7, one was a bicycle manufacturing company with its four associated concerns and the other one was an aluminium manufacturing unit. But considering the fact that it is the engineering units which have been hit most by the recent recession and that a large number of them still remain closed, or are chronically sick it seems surprising that so few of them have been assisted by the Corporation to revive. The Indian Engineering Association and the Engineering Association of India, both of whom have their head offices in Calcutta, should see to it that the Corporation plays a more active role in the reconstruction of the engineering units which are so important to the eonomy of West Bengal.

Next to the engineering industry the cotton textile mills of West Bengal have received the Corporation's attention and assistance. But here also only six units have been helped out of the 36 who applied. The total amount sanctioned for them was Rs 204.20 lakhs the assistance released was Rs 73.06 lakhs, the amount arranged through banks was Rs 105.01 lakhs, and the number of employees involved in them was 6783. Of the 6 assisted units, one was a spinning mill on the verge of closure, 4 were composite mills which had been closed and one small processing house. The Corporation has set up a textile cell to assist the units in various matters like purchase, sales, production, and labour settlement. The Corporation is also taking steps to set up a modern processing house with a processing capacity of 1.5 lakh metres of cloth per day. This project is expected to help the textile mills in West Bengal to diversify their production increase their profitability, and improve their competitive capacity.

Apart from the engineering and textile industries, the Corporation assisted 18 units of which 6 were in the medium sector and 12 in the small sector. They were engaged in the production of coal, ceramics, chemicals, pharmaceuticals, paper, glass and pencils. The total amount sanctioned for these 18 units was Rs 290.46 lakhs, the assistance released was Rs 99.14 lakhs; the amount arranged through the banks was Rs 225.01 lakhs; and the number of employees involved was 20,858.

Mr Chari pointed out that the Corporation always took care to safeguard the interests of the workers in the assisted units and in enlisting their co-operation in improving production. He said that all the important issues relating to the workload efficiencies in various sections at the plant, discipline among workers, amenities and recreational facilities were discussed in detail and agreements were concluded on a bipartite or tripartite basis. But is the Corporation taking care to ensure that the assisted units are not burdened with surplus labour?

Some criticism has been made in recent months about certain aspects of the working of the Corporation especially regarding the appointment of nominees on the Board of Directors of the assisted companies as well as their key managerial personnel. The Corporation should therefore take particular care in these matters so that it will be able to effectively discharge its responsibilities. The Corporation has rightly given priority to West Bengal. The time has now come to extend its activities to other states especially in the eastern region like Orissa, Bihar and Assam also where there is an imperative need to revive sick industries.

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FABRICS

Power prospects in Maharashtra

R. V. Murthy

OBLEMS OF shortage of power and estions relating to the long-term deve- ment of power-generation capacity, ension of the transmission and distri- tion system, as also electricity tariff, re discussed at a Seminar on Power velopment organised by the Federa- n of Indian Chambers of Commerce Industry, in Delhi recently. The deration was prompted to hold this minar evidently because it felt concern- at the considerable shortage of power ply cropping up continually in dif- ent parts of the country of late and n apprehended there might be a peren- l power crisis. This concern is under- ndable when viewed against the back- und of the slow growth of our indus- l production in the last two years and slight setback even to our agricul- al production during the latest crop ar.

ortage of power

t might be noted that particular refe- ce was made at the Seminar to the rtage of power being felt in the western ion especially since the beginning of year. The purpose of this article, refore, is to review the present power ition, with particular reference to the gress made by Maharashtra since the state came into being in May, 1960 also to dwell briefly on the future look for power supply in the state. underlying idea is to allay all anxiety apprehension—those in charge of er planning in Maharashtra seem to k this is avoidable—atleast as to harashtra's ability to deliver the goods, ect only to two factors, *viz* availability dequate funds (a factor controllable man) and abundance of rainfall in the hment area (a factor over which man not have any control). This should obvious from the Table I show- the present (latest available) position egards total demand, total generating city, the lag to be covered and the s for doing so.

e total power supply position as on 31-3-1972 in Maharashtra is given in Tabie II. (p. 808).

It will be seen from these two tables that since 1951, and more particularly since the Maharashtra state was formed, the state has made commendable progress under all heads, but particularly as regards energy consumption under the heads public lighting, agricultural and miseellaneous, not to speak of industrial use. Even as regards total installed capacity and total electricity generated, Maharashtra's achievements compare satisfactorily with the country's progress as a whole under these heads.

There are certain notable features that characterise the power development in Maharashtra to which attention requires to be drawn here. These are :

(1) *The pattern of consumption* : This shows a steady swing in favour of the agricultural sector.

(2) *Special attention to underdeveloped areas* : This seems to be the special mission of the MSEB.

Both the schemes remaining to be implemented under the fourth Plan and those proposed for implementation during the fifth Plan, it is noteworthy, are motivated by the two considerations as above.

The MSEB's overall plan for power development, which has yet to be

TABLE I

Total Power Supply: India and Maharashtra

S. No	Particulars	1960-61		1971-72	
		Maha-rashtra	India	Maha-rashtra	India
1.	Total installed capacity in MW	760	4,653	2,149	16,400*
2.	Total generation in m. Kwh	3,268	16,937	10,261	51,989@
3.	Per capita consumption in Kwh	73	38.2	172	90
4.	Total consumption in m. Kwh				
	(i) Domestic & commercial	458	2340	803	5,824@
	(ii) Public lighting	20	193	80	418@
	(iii) Industrial	1,853	9,696	5,719	28,379@
	(iv) Agricultural	15	833	423	3,774@
	(v) Railway traction	339	454	405	1,448@
	(vi) Miscellaneous	35	437	810	1,219@
	Total (4)	2,720	13,953	8,240	41,062@
				(In million Kwh)	
5.	Electricity potential at the end of fourth Plan			11,284	78,311
6.	,, required at the end of fourth Plan			12,111	76,271
7.	Difference between the two (+ or —)			—827	+2,040

* Figure for 1970-71. @Figures for 1969-70.

TABLE II

Maharashtra: Total Power Supply Position

M.S.E. Board	Total installed capacity
A. Hydro	
Koyna	5,40,000 KW
Eldari	22,500 ,,
Radhanagiri	4,800 ,,
Bhatgar	1,024 ,,
Total	5,68,324 KW
B. Steam	
Khaparkheda	1,20,000 KW
Paras	92,500 ,,
Bhusawal	62,500 ,,
Ballarshah	22,500 ,,
Nasik	2,80,000 ,,
Total	5,77,500 KW
C. Diesel	
Aheri	370 KW
Sironcha	1,902 ,,
Total	2,272 KW

NOTE : In addition, the Board has a share of 1,98,000 KW in the Tarapore.

Grand total =13,46,096 KW

Tatas	
A. Hydro	
Khopoli	72,000 KW
Bhivpuri	72,000 ,,
Bhira	1,32,000 ,,
Total :	2,76,000 KW
B. Steam	
Trombay	3,37,500 KW
C. Railways	
Steam Chola (since derated to 80,000 KW)	1.36,000 ,,
Grand total	4,73,500 KW
Combined Grand Total (MSEB+TATAS+C. RLYS) :	20,95,596 KW

NOTE : Besides the electricity generated in the state, the MSEB also purchases power from Mysore and Madhya Pradesh. It also sells to Goa and MP. In March, 1971, the board purchased 25,351 million Kwh from Mysore and 0.084 million KWH from MP.

Total simultaneous maximum demand :

W/M on 30-3-1971	=1165.300 MW
Vidarbha & allied system	291.61
Total	1456.910 MW

approved by the state and the central governments envisage a total outlay of Rs 475 crores during the fifth five-year Plan and the MSEB feels convinced that, if these proposals are implemented in full, "it will be able to meet the normal as well as any special power demand of the state satisfactorily". The break-up of the total outlay as above under the various schemes is as follows :

	(Rs in crores)
Schemes relating to generation	228.00
,, Transmission	154.00
,, Normal development	26.00
,, Rural Electrification	50.00
,, Others such as acquisition of licences, general assets, etc	17.00
Total	Rs 475.00

A detailed examination of the overall plan prepared by the board should convince any one that the main aim, which is noteworthy, is to ensure a uniform power development in the entire state. This means that backward areas stand to receive particular attention, which is as it should be. For from the point of view of areas enjoying the benefits of electrical energy, the position in Maharashtra is extremely lopsided for a variety of reasons, and the MSEB seems determined to remove this lopsidedness.

laudable intention

While the intention is laudable, the question is : is implementation possible. Implementation depends upon government policy (e.g. whether further development should be by the public sector alone or the private sector also would be allowed to make its contribution) personnel with imagination (here, the MSEB is fortunate in having some fine officers who appear to be quite forward-moving, as witness a few of them even toying with non-conventional sources of energy about which, unlike in the advanced countries, very little is heard in this country).

It is not surprising, therefore, that there are so many "ifs" and "buts" in the MSEB tentative plan. Apart from finance needed to make up the backlog of transmission schemes starved for funds, funds are also required for meeting a number of new schemes. Further, the Board has to depend not only on the availability of adequate funds every year, but also on the timely deliveries of materials on order even to commission the schemes already on hand, as also those to be taken up during the rest of the fourth Plan period. Thus, to complete the transmission schemes of the fourth Plan itself, the Board has sought assistance from the state government, the SICOM and the MIDC.

It is significant that the Board has also clearly indicated other forms of co-operation it expects from these agencies, apart from financial assistance. For instance, one of its understandable stipulations is that, before promising power supply to large industries whose load requirements need careful study and preparation, the MIDC and the SICOM should consult the MSEB. It has also insisted on reasonably adequate notice being given to it of the proposed development of industrial areas in the underdeveloped districts. This, again, is understandable, because any power scheme to cater to such development requires about 3-4 years for completion, thanks to pro-

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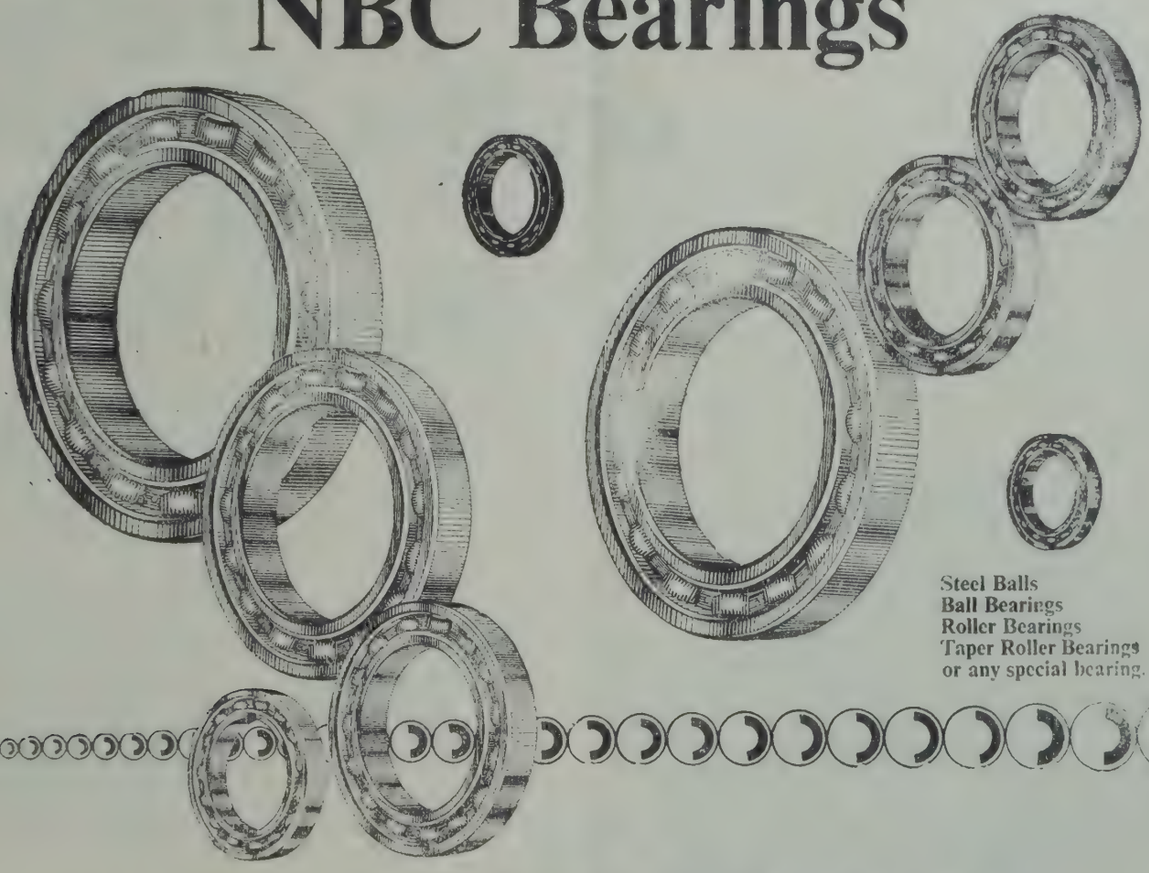
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tracted deliveries of equipment, even if finance is made available.

As much as advance notice to others, advance action by the MSEB itself is important. Advance action has to be taken straightaway, for example, if the Board must commission as many as 1700 MW of new thermal generation schemes in the fifth Plan period as it proposes to. And, unless such advance action is taken, it is only fair that the Board must not be held responsible for any shortage of power that may develop in the state.

To sum up, here are a few features of Maharashtra in the field of electricity which may interest readers :

The *per capita* consumption of electricity in Maharashtra is higher than the All-India average.

sizeable contribution

This is due to the higher ratio of the urban population in the states compared to the all-India ratio, the existence of some very well developed industrial complexes as, for instance, the Bombay-Thana complex and the Poona-Pimpri complex, and the state's sizeable contribution to the country's total industrial output—more than one-fifth.

Maharashtra has also the largest installed capacity of any state in India.

Maharashtra generates the maximum electrical energy among all the states in the country.

Maharashtra also accounts for the highest consumption of power among all the states in India.

Maharashtra's contribution by way of electrical energy supplied to the nation's agricultural output is a little below eight per cent of the total all-India contribution.

In the field of rural electrification, again, Maharashtra's percentage of villages electrified in 1970-71 was 32.5 per cent as compared to the all-India average 18.1 per cent. It ranked second only to the UP in the number of villages electrified and second only to Tamil Nadu in the number of pumpsets energised.

UNDP and the technology gap

Hardev Singh

WITH GROWING opinion in the third world in favour of foreign aid being channelled through international institutions, the role of the UN agencies such as the United Nations Development Programme (UNDP) has assumed considerable significance. To meet the challenging task of providing assistance in the developing countries, the UNDP has streamlined itself under what is called the "country programme". The new long-term country programme has been evolved for improving the efficiency of assistance with increase in the number of projects and financial commitments thereon and has replaced the earlier procedure of providing assistance on a project-by-project basis. It enables the developing countries to plan their projects fairly in advance in an integrated manner, taking into account other foreign assistance resources available through other channels.

At its last session at Geneva in June 1972, the Governing Council of the UNDP approved a seven year programme for the UNDP assistance to the tune of $ 89 million for this country covering the remaining two years of the fourth five-year Plan and the entire fifth five-year Plan period. The seven-year programme for this country consists of 123 large projects involving an expenditure of about $ 79 million from the UNDP funds. The similar projects will involve an additional expenditure of $ 10 million.

closing the gap

Stress in the programme is on closing the technology gap through the provision of "appropriate technology". It has been felt that the technology of advanced countries needs to be adapted for use in the developing world. Although this country has recorded substantial economic progress since independence and necessary technology for the needs of the economy —developed over the years — yet in several fields much needs to be done.

In the context of planning in this country, technological input, though small in magnitude, is required over a wide spectrum of individual schemes and projects. It has to provide stimulus at a variety of growth points in the system and has to assume the function of a catalyst in the regeneration of economic activity.

An important aspect of the technical assistance received from the UNDP is that it is untied to any particular country and therefore provides the best available assistance in terms of quality and acceptability. The smallness of its size in relation to the totality of investments in various plans does not, therefore, truly reflect its importance. While it may not provide the 'sinews of the developmental efforts for which large volumes of capital is required, it ensures progress in various economic sectors at the desired velocity and level of sophistication.'

It may be observed from the table (p. 812) that the programme largely emphasises agriculture, with 25 projects in this sector, including ten that are already in progress. Six projects involve programme for extension and another six are new ones. In this sector the UNDP assistance is expected to contribute towards the application of new technology, particularly where expertise can be utilised on a pilot, experimental and demonstration basis. Consequently seed farms are proposed to be established and plant protection techniques are expected to be developed and improved. The programme also includes improvement of livestocks and milk production, agricultural use of forest products and survey of deep sea fishing.

The programme for irrigation includes survey of water resources because steady agricultural production depends upon irrigation facilities and effective utilisation

of ground and surface water. This would call for surveys to locate the presence of fresh water acquifiers, control of water logging and study of water balances. The programme also includes assistance in watershed management in terms of experts, fellowships and equipment for soil conservation measures to protect watersheds from severe erosion and reservoirs from rapid siltation.

In the field of power generation, the UNDP assistance is going to be vital, especially in the field of rural electrification programme which helps in the establishment of tubewells. An important aspect of the UNDP country programme in respect of power envisages procurement of equipment, deputation of experts and grant of fellowships which would assist research, development and training programmes vitally connected with the development of power. The UNDP is also actively assisting the laboratories at Bangalore and Bhopal relating to power systems, high voltage, insulating materials and transmission and distribution systems. Similarly latest techniques, particularly in respect of synthetic testing of circuit breakers, investigation in to problem of extra voltage transmission and application of fuel cell techniques are proposed to be extended with the UNDP resources at the Central Power Research Institute.

demonstration plants

In the field of industry mention may be made of the project for the setting up of a demonstration plant for production of foundry pig iron using raw non-coking coal in Andhra Pradesh sponsored by the Andhra Pradesh Industrial Development Corporation. The project had envisaged producing pig iron. Subsequently, however, on advice from a UNDP mission, the project has been revised to produce steel. This is in accordance with the emphasis that sponge iron should be usable directly in electric furnaces for steel-making.

While this country is the largest recipient of UNDP aid, it has also provided in the last two decades much of the expertise for UNDP-assisted projects throughout the world. In other words it has been a two way traffic in partnership in progress. Some 3,532 experts' posts have been filled by Indian nationals. Over 2,030 of the fellowships awarded by UNDP have been for study in India. Equipment ordered from suppliers in this country for use in the UNDP assisted projects was around $473,000. Three firms with headquarters in this country have been awarded contracts at a cost of $88,700 for work on large-scale projects. The UNDP assistance to this country over the last 12 years or so includes 61 large-scale projects which are estimated to cost the UNDP on completion $59.5 million. Three more projects of this kind have recently been approved. This country, for its part, has raised its voluntary contribution to the UNDP by 25 per cent from three million dollars to $3.75 million in rupee equivalent.

Sectorwise Allocation of Funds

S. No	Sector	No of Projects	UNDP allocation ($ million)	Financial support by Govt (Rs crores)
A.	Agriculture	25	17.9	11.99
B.	Scientific Research	22	10.8	9.66
C.	Irrigation and Power	15	7.4	19.26
D.	Transport and Communications	11	5.5	12.66
E.	Industry and Minerals	18	11.8	17.12
F.	Labour Welfare and Craftsmanship	5	1.9	1.49
G.	Foreign Trade	7	3.5	1.92
H.	Education	12	6.3	16.52
I.	Housing & Urban Development	2	0.7	2.36
J.	Rural Water Supply/Health	1	2.8	6.61
K.	Computer based Projects	3	9.1	0.02
L.	Emerging Technology	2	1.3	0.65
		123	79.0	95.0

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The European Chemical Crisis

Jossleyn Hennessy

London.

WINDOW ON THE WORLD

I

The Counter Productiveness of Nationalism

THE CHEMICAL INDUSTRY is well fitted to international trade. Many chemicals are sold to a specification and can be traded as freely as raw materials which, in some instances, they resemble. Manufacturing industry buys much of total chemical output, thus removing some of the brand loyalty problems which beset a company entering a foreign market for consumer goods. Process plant contractors, who build most technically-advanced plants, offer their services around the world, including eastern Europe, and so have helped to spread the number of countries where chemicals are made on an important scale.

The development of the EEC has undoubtedly helped to speed the growth of the west European chemical industry. Although many barriers to trade remain between the member countries of the Six, some progress has been made towards a "single home market". The importance of such a concept lies in the economies of scale offered by modern large tonnage plants (particularly petrochemical plants) and in the marketing efforts required to realise the theoretical economies in practice.

American chemical companies, operating in a US market of over 200 million consumers, used to have a much wider, more secure home base than their European counterparts. The 190 million consumers of the Common Market of Six, despite their lower average standard of living, were expected to provide European chemical companies with an almost and opportunity to develop a strong, unified home market and allow them to export very competitively to countries outside the EEC.

The EEC has gone some way to give western Europe the base that it previously lacked. But recent trends in the financial performance of American and west European chemical companies suggest that European companies in general are still much weaker and are likely to remain so unless strenous steps are taken by the governments of the EEC member countries by the management of individual chemical companies.

Comparisons show that big American companies did better than their European competitors last year. In many cases, 1971 was the worst year for profit margins and return on capital experienced by European companies for a decade. First quarter 1972 results, where known, show a continuing improvement among American companies and an uneven performance among the European leaders with ICI (UK) predicting depressed profits and Bayer (West Germany) showing an improvement.

Present economic conditions in the US are more favourable than in Western 1971 and so far this year, they have been earning good profits in western Europe. The Americans are not nearly as deeply involved in the European chemical market as are the indigenous companies and they have tended to invest selectively in products which have sold profitably in the US. Nevertheless there is evidence that in areas where both American and European companies are competing directly in western Europe (synthetic fibres is a good example) the Americans achieving better financial results.

TABLE I

Sales and Profit Growth for Leading Chemical Companies

(percentage change)

	1971	
	Group sales	Group net profits
US:		
Cyanamid	+2.0	+2.0
Du Pont	+6.0	+6.0
Dow Cheimcal	+7.0	+18.0
Monsanto	+6.0	+22.0
Union Carbide	+0.5	0
UK:		
ICI	+4.0	—4.0
West Germany:		
Bayer	+7.0	—12.0
BASF	+6.0	+16.0*
Hoechst	+13.0	—30.0
France:		
Rhone-Poulenc	+9.0	—40.0
ATO	+13.0	..
Netherlands:		
Akzo	+11.0	—23.0
DSM	†	—17.0
Italy:		
Montedison	+3.0	Loss
ANIC	+8.0	Loss

* Pretax. † Accounting basis changed.

Currency realignments have played havoc with profits on international chemical

trade. However, Europe's recent poor showing can in part be attributed to: (1) a willingness among some European government to support their chemical industry irrespective of the prospects for a commercial return on their investment; (2) an insufficient appreciation by individual company management of the complex inter-relationship of the chemical industry world-wide.

Both these factors operated during the explosive growth of chemicals during the 1960s. But they remained largely unnoticed because the industry was enjoying unprecedented prosperity (despite a cyclical downturn every four years). The lean years of 1970 and 1971 have made it easier to distinguish between companies which have a coherent commercial policy and those which do not.

Since 1970, the west European chemical companies have been plunged into the longest and most serious profits recession they can remember. The climate of management and government thinking has begun to change. There is now greater willingness to recognise past failings, to admit that the growth period of the 1960s may have been the exception rather than the norm, and to take harsh decisions to increase profit margins.

To see what bearing the two factors mentioned above have had on the chemical industry, it is necessary to sketch the bakground to the present crisis.

II

Background to the Crisis

During the 1960s, chemical output in most countries rose twice as fast as GNP and, in some high growth sectors like plastics, growth was again twice the average for chemicals.

Unexpectedly, this rapid growth faltered in 1970. Demand rose scarcely more rapidly than GNP and the same pattern, often in a more extreme form, was repeated in 1971.

There were a number of factors contributing to the crisis apart from slack consumer spending. The advance of process technology and the trend towards larger and still larger plants, each offering lower manufacturing costs, came to a halt in the late 1960. The size of the plants had become so large that it was either too difficult for too risky to build still larger units. This took from the manufacturers their earlier option, often employed, of cutting selling prices (despite inflation) so as to expand the market and obtain full loading for new, lower-cost plants.

The cost of the new plants rose sharply because of inflation. In many cases this meant that a new plant, if similar to one built two years before, would require higher selling prices in order to yield the same return on investment.

Inflation hit operating costs too. Labour and raw material costs went up more steeply than at any time since the war, while the cost of oil feedstock for petrochemical operations was increased following the OPEC settlement in Tehran early in 1971.

Added to these problems, the currency realignments to 1970 and 1971 hit the West German, Swiss, Dutch and Japanese chemical industries since each had developed during the 1960s heavy dependence on exports. The three leading West German manufacturers exported on has average about half their domestic chemical production. That figure is now likely to decline as foreign investment takes an increasingly important part in group activities.

rising costs

The response to these difficulties was, of course, for companies to raise their prices and so reverse the remarkable record of the 1960s when the price of the important plastic resin PVC had fallen by two-thirds in ten years. However, manufacturers found that higher prices could not be sustained. They were caught between rising costs and falling selling prices.

When market leaders announced price increases in important traditionally high-growth sectors such as plastics, fibres and chemical intermediates, they found it impossible to maintain the new levels in the face of competitive quotations for the same business.

The immediate cause was productive over-capacity, the result of an over-ambitious investment programme conceived in 1968-69 and achieved in 1970-71. With demand only growing slowly, it seemed inevitable that a glut would arise in any area where capital-intensive and basically inflexible plant was required in the manufacturing process. Prices of most high tonnage chemicals failed almost totally to keep pace with rising production costs. US restrictions on Japanese textiles led to a fall of 35 per cent in European polyester filament yarns prices during the last nine months.

Productive over-capacity in one chemical in one country often leads to oversupply throughout a wider trading area. The large capital-intensive plants used in petrochemical and heavy inorganic chemical manufacture are the cause of this. To realise the production economies offered by these plants, they have to be operated close to their maximum design capacity. Traditionally, companies have achieved this by selling as much as possible at adequate prices on their home (i.e. national) market and selling what is left on export markets as the opportunity arises.

Prices in export markets, although usually comparable to those in the home market as far as the customer is concerned, do not allow as high a return to the manufacturer since he has to bear additional costs of freight, marketing and perhaps tariffs. Manufacturers have come to accept a lower return on export sales than on home market sales. In the past they have been able to justify low returns on exports by showing that it was better to load the plant more fully than to accept a lighter plant loading and serve only those markets, which offered high realisations.

Selling prices among the high tonnage chemicals have now reached the point where the truth of this argument is no longer certain. In many export markets it has not been possible to cover even marginal production costs.

In certain speciality fields such as pharmaceuticals a different situation exists. The plant scale-up argument is of little consequence and a high proportion of costs is attributable to research for a unique product. Manufacturers can often obtain as high a return on exports as on sales in the home market unless national governments adopt a discriminatory policy.

over investment

The west European chemical industry has over-invested. Why? The answer is that no one in the market research teams of the major companies foresaw the slackening in the growth of demand so soon. Investment plans went ahead as if the growth rates of the 1960s could be maintained.

Even if past growth rates had been maintained, there would still have been substantial over-capacity in many of the key areas of petrochemicals and heavy inorganic chemicals. It has been estimated that over £1,000 million of plastics manufacturing plant and its ancillary upstream facilities is lying unused in western Europe at present. Figures of this magnitude indicate more than a miscalculated growth rate.

One contributory factor has been the influence of some European governments on companies in the public sector

or closely allied to it. The pattern is familiar in fields where national prestige, balance of payments, social policy or unemployment are major considerations. The chemical industry has now taken its place among those industries — others are aerospace, mining, steel, railways and shipbuilding — where governments feel some need to play an active non-commercial role.

ATO, the French chemicals group, recently defined its objective for the next five years in terms of becoming one of the largest plastics manufacturers in western Europe. In the present state of the industry, it will be difficult, indeed probably impossible, to combine this objective with an adequate return on capital.

In the EEC, the governments of Italy, France and the Netherlands are involved in the affairs of the chemical industry through shareholdings in leading manufacturers. Recently there was some increase in government involvement in Italy when control of Montedison passed from private hands to the government following a further financial crisis (to which Montedison has been prone ever since its foundation through a merger of Montecatini and Edison in 1966).

In the UK the government is represented through it stake in British Petroleum. The policy by successive UK governments towards BP and, to some extent by Dutch governments to DSM, has been to treat these shareholdings as normal commercial investments.

petrochemical complexes

Other west European governments, notably Norway and Greece, are planning to set up their own petrochemical industries even though it is widely believed that there is no likelihood of such investments being profitable. Libya, too, is planning a massive £250 million investment in petrochemicals in the belief that low feedstock costs alone will allow it to compete internationally.

Governments regard chemicals as one of the sectors where national prestige is at stake.

They do not see it as their role to encourage investment except within the confines of their own country (irrespective of the "best" site for a new chemical plant). They tend not to favour mergers or takeovers where one of the partners is foreign (even when the fit is good) and they have encouraged mergers between nationally-owned companies (even when the fit is bad).

Montecatini's prosperity would arguably have been better promoted if the merging of its petrochemical operations with those of the world-wide Shell group, which occurred briefly in 1965, had been allowed to stand. It is possible that in the Netherlands the interests of KZO (inorganic chemicals) and AKU (man-made fibres) would best have been served by mergers with comparable foreign companies rather than with each other to form the present wholly-Dutch AKZO group. Against this there have been as yet only two important international mergers involving the chemical industry. Ten years ago Bayer's photographic chemicals subsidiary Agfa merged with the Belgian Gevaert. In 1970 Italy's Pirelli and the UK's Dunlop agreed on a merger. After early difficulties with Gevaert-Agfa the merger has proved a success. It is still too early to tell whether the advantage of a good "fit" will outweigh the inevitable problems in the case of Dunlop and Pirelli.

III

Role of Managements in Causing the Crisis

In the late 1950s and early 1960s, many European chemical manufacturers complained that American companies were dumping surplus production in Europe and "ruining the market". The charge is not often made today for the good reason that the big American companies have now invested heavily in Europe. However much companies may protest to the contrary, the existence of a large investment in a market subtly changes the attitude towards marketing in that area.

One of the paradoxes of the European industry is that American companies best exemplify an international approach to investment location in Europe. They have planned their investments in a truly pan-European fasion, often choosing to serve EFTA from plants in the UK and Sweden while supplying EEC from Benelux and West Germany. Du Pont, Union Carbide, Monsanto, Dow Chemical and Esso Chemical all into this category, although the last named also operates in France.

Some West European companies have done likewise. West Germany's Bayer, BASF and Hoechst are well represented in Benelux and France; Hoechst is also heavily involved in the UK. ICI has big commitments in the Netherlands, West Germany and France. The Swiss pharmaceutical groups Ciba/Geigy, Hoffmann La Roche and Sandoz have invested internationally on a broad front.

However, neither the French nor the Italian manufacturers have ventured much outside their national boundaries — Snia Viscosa is perhaps the only important exception. Leading chemical manufacturers direct most of their criticism concerning over-investment and disorderly marketing at French and Italian firms (leaving aside the Japanese and the east Europeans, who have each played a part in bringing selling prices down). The inference is that, if the French and Italians had invested more widely and eschewed a nationalistic investment policy, they would have been less to blame for the present crisis.

Table II below shows that European companies even in West Germany, still prefer to place their main investments in their home country. Among the big spenders over the past two years, it has been mainly the American companies and Shell that

TABLE II

Oil Refining and Leading Chemical Investors in European Countries

		Twelve-month period of 1970/71	
Investment location	Company	Nationality	£ mn
Belgium	Amoco	US	54
	Monsanto	US	48
	Chevron	US	36
France	ATO	French	129
	Shell Chimie	Anglo-Dutch	93
	CFR	French	93
West Germany	Bayer	West German	149
	Veba Chemie	West German	138
	Dow Chemical	US	112
Italy	Montedison	Italian	504
	SIR	Italian	456
	ENI	Italian	435
Netherlands	Shell	Anglo-Dutch	112
	Gasunie	Dutch	78
	DSM	Dutch	59
UK	Shell	Anglo-Dutch	269
	BP	British	210
	ICI	British	162

Source; Chemical Age

have spread their investment more widely.

One should not make too much of this pattern but the dangers are clear. However, it must be recognised that familiarity with business practice and language in one's home country are strong inducements to place investments there. They can and must be disregarded when commercial considerations show that the best location for the plant is in another country.

Once they have made an investment in a large new petrochemical plant, many companies have in the past founded their marketing policy on the simple promise that the unit must be fully loaded at all times in order to achieve the maximum advantages in production costs. While the short-term benefits are plain to see, there exist serious medium and long-term disadvantages of basing a marketing policy on this simple promise because of the inter-related nature of marketing chemicals around the world. Some companies have planned to sell half their production on the home market and half on export markets, often ill-defined and poorly researched. For reasons given earlier, profits on export business are at best lower than on home sales. If the manufacturer is new to an export market or is determined to gain a larger share of either his home or any export market, he is tempted to cut his selling price.

Domino Theory

This price cutting has triggered off something akin to the "Domino Theory" originally enunciated about South East Asian politics. Established suppliers, faced with price cutting from newcomers have to choose between cutting their own prices or increasing their own exports. In many instances they have chosen to export chemicals to the country responsible for the initial round of price cutting. The price cutters have helped to reduce their own profits and often have achieved nothing in increased market shares at home or abroad.

Since most of the products made by the chemical industry are used in manufacturing processes to make higher added-value goods, the Domino Theory applies not only to trade in the chemical itself but also in products made from it. One extreme example has recently occurred in Hong Kong, a high consumption area for polyester staple fibre widely used to make polyester/cotton woven fabrics. Some west European, and Japanese, companies adopted the usual policy of marginally costed exports to frame a pricing policy which allowed Hong Kong spinners to buy polyester at little over half the price in the manufacturer's home market. This allowed Hong Kong to buy the fibre, spin it into yarn, weave the yarn into cloth, export the cloth to Europe and still undersell the price of raw materials charged to the European spinner. The result is that many UK textile weavers and spinners have been forced out of business.

In isolation, the aspirations of individual chemical companies towards market share seems unexceptionable. A share of 7 or 8 per cent to be gained by a newcomer or the defence of a 20 per cent share does not appear unreasonable. But, when ten companies want 7 or 8 per cent and four are defending 20 per cent, the effect is catastrophic and the inevitable result is lower prices and underloading plants.

European approach

Almost every European-owned chemical company is fighting rising costs and weak selling prices with the same tools. Operating costs are being held down or reduced primarily by reducing staff; plant, not all of it old and obsolete, is being taken out of service or scrapped; future investment plans are postponed until the present overcapacity has worked its way out of the system.

Many companies fear that when demand has nearly caught up with supply, the familiar cycle of capital spending will begin all over again and the industry will be plunged into over-supply. The present experience, coupled with the fear that it could happen again, has made many of the leading chemical companies, the Americans always excepted, state their preference for a system which might prevent a recurrence. The solution proposed is for the companies to form some sort of international organisations, which would (1) be legal in the framework of UK and EEC restrictive practices legislation; (2) enable US companies to cooperate by making it acceptable under US anti-trust legislation; (3) satisfy each country's and each company's aspirations for a share in chemical expansion.

The proposal most often put forward would provide for detailed information exchanges on market forecasts and investment plans under the aegis of the EEC Commission. The body, if ever formed, would, of course, have no powers of coercion.

The proposal is open to the charge of cartel-forming. It is doubtful whether such an organisation would be effective since a big gulf separates some European companies from others. Some are interested in long-term profits and an adequate return on capital; others, obligated to their national governments, stress social commitments and their national flag-carrying role.

An alternative approach to void overcapacity, favoured by the Americans is for every company to become more professional and more efficient, looking after its own affairs and leaving competitors to look after theirs. At the present stage of the European chemical industry, this proposal also seems doomed to failure because of the companies which do not have commercial considerations as the foundation of their business policy.

Europe has yet to develop a chemical industry with the structure and the management outlook which does justice to the powerful industrial base offered by the Common Market. *Nationalism in chemicals is counterproductive.* It is possible that the industry's present difficulties will convince governments and managements alike that there is no substitute for efficient, profitable operations if the industry is to meet the American challenge in the future. If that lesson is learnt, and there are grounds for believing that it is slowly being accepted, then the problems of today may help to build a leaner, healthier industry tomorrow.

Source and acknowledgements: The foregoing summarises, by special arrangement, an exclusive report in depth in the latest issue of *European Trends* published quarterly (to subscribers only) by the Economist Intelligence Unit (27 St. James. Place, London. S.W.1.) but the EIU is responsible neither for the emphasis of my summary nor for my interspersed comments, based on a variety of sources.



MOVING FINGER

For some days now there have been rumours that heads will roll in the Delhi Administration. The Prime Minister, it is being said, has been annoyed with everybody, from the Lieut-Governor downwards, for reportedly failing to maintain law and order in the capital and that she has communicated her displeasure to Mr Baleshwar Prasad and his subordinate officials some of whom have already received their transfer orders.

The Lieut. Governor himself may manage to escape similar fate only by the skin of his teeth. Even so, Mr Prasad and his law-and-order officials are not wholly ineligible for a measure of public sympathy; for, most regrettably, the Delhi Administration is in the unhappy position of having to function while for ever anxiously wondering on which side its officials' bread is buttered. If there are miscalculations in this connection there is almost always the devil to pay. The law-and-order officials in particular are placed in an impossible situation. Before they could decide how to deal with a threat to the people's peace or whether they should at all try to deal with it, they have got to make sure that they would not be treading on sensitive political toes. As a result, the odds are almost always against them whenever they are being called upon to strike a balance between doing their duty and being diplomatic in dealing with unruly or even rioting crowds. I do not know whether there is any official in the Delhi administration, including the Lieut. Governor, who has the moral courage to put these facts bluntly to the Prime Minister or at least the Prime Minister's secretariat.

Some week ago, a num- ber of children in Madras died after having been administered a cough syrup alleged to contain an ingredient held to be suspect. It is significant that this tragedy has taken place in a state the government of which is considered to have a relatively adequate or efficient drug inspectorate. Several other states in this country are said to be much less well-equuipped than Tamil Nadu in this respect. It follows that the public is running very grave risks because of this sorry state of affairs. The Ministry of Petroleum and Chemicals as well as the Ministry of Health have for some time now been taking quite an active interest in the affairs of the pharmaceutical industry. The public has been told that the government is determined to curb profits in this industry and bring down the prices of essential medicines. The larger pharmaceutical companies and especially those which are foreign-owned or have foreign participation have been singled out as the targets of the propaganda campaign which has been launched in this connection. Sceptical observers, however, have been saying that, if the government is genuinely interested in protecting or promoting the legitimate interests of the consumers of drugs or medicines, it would be well-advised to direct or divert some of its energies and resources towards organising a sound or substantial machinery of inspection which could exercise effective control over the marketing of drugs and medicines and thereby reduce the hazards to the public of dangerous or spurious formulations.

There is, by and large, no curb at all in this country on sub-standard or back-yard processors of drugs or medicines and there is even less control over the advertising or selling of all sorts of cure-alls or bogus remedies on behalf of which the most fanciful claims are freely made by their promoters. If the politicians in the government have a proper order of priorities, they would much rather have turned their attention towards the unorganised sector of the pharmaceutical industry than carry on a motivated campaign against the organised sector which, by definition, must pay at least a minimum of attention to ethical standards in making or marketing its products. Many sins are being committed in this country in the name of government encouragement of the decentralised or the small-scale sector and nowhere are these sins more of a crime against the people than in the area of drugs and pharmaceuticals. It is no doubt true that the state governments have the primary responsibility in the matter of drug inspection or control, but this does not absolve the central government of its obligation to bestir itself in a matter which concerns literally the lives of the citizens.

I have heard two differ- ent views expressed on the Prime Minister's pronouncement on alleged CIA activity in this country. The more widely prevalent opinion, of course, is that Mrs Gandhi stood logic on its head when she asserted that it was for the CIA to prove that it was not carrying on undesirable activities in India and not for the government of India to establish the culpability of that ubiquitous global menace or at least nuisance. But there are others who believe that, although Mrs Gandhi's statement could haeve been worded less clumsily, it might not have been made without a large element of deliberateness. The implication here is that Mrs Gandhi knows what she is talking about and that, more than this, she also knows that Washington itself knows what she is talking about. Hence, she has simply issued a warning to those concerned that their game is up.

The newspapers, particularly the cartoonists, have been treating as a joke the indictment of the CIA by Mrs Gandhi and Mr Shankar Dayal Sharma. I wonder whether they are altogether justified. It is a well-known fact that the United States, ever conscious of what it considers to be its global interests or responsibilities, is maintaining a very extensive and expensive intelligence or espionage network across the world. It is also fairly well known that the CIA has never been taking a modest view of its scope or functions and that it has been as willing or able to indulge in sabotage or subversion as to confine itself merely to the collection of political or military intelligence. With the signing of the Indo-Soviet Treaty and the Soviet Union and India coming closer to each other in political and to some extent military collaboration, it stands to reason that the CIA would consider that it has acquired special responsibilities or stakes in this part of the world. The Prime Minister has therefore every reason to alert public opinion or caution the people; she has also the right to warn Washington. The State Department's denial of CIA activities in this country is, of course, neither here nor there. Finance Ministers are known to deny intentions of devaluation right up to the time of the transaction. Their security counterparts will no doubt go on protesting innocence to the very end and beyond.

Some one calling him- self "I. M. Consciencewala"—what a way to describe oneself!—has written a letter to the editor of this journal, taking me to task for my comments on the Chief Minister of West Bengal in the issue of September 29. As this correspondent has put it, he has tried to parody my "own vitriolic language simply to make you get the taste of the venom you spout against others" and has dared the editor to publish his letter. It has not occurred to him that, having sought the cover of anonymity, he has no right to make such a demand. I personally would be glad to have this letter published but then he must surely reveal this identity, if not for publication at least for the information of the editor.

VB

TRADE WINDS

Reserve Bank to Purchase Dollars

FROM OCTOBER 9, the Reserve Bank started the purchase of US dollars from authorised dealers in foreign exchange in India. It offered spot or forward for delivery up to three months or six months at the seller's option. Spot dollars will be purchased at the cross rate between the London market's spot buying rate for the US dollar at the close of the preceding working day and the Reserve Bank's spot buying rate for sterling prevailing on the day of purchase. Forward purchases will be made at the Cross Rate between the London market's appropriate forward buying rate for the US dollar for delivery within three months or six months, as the case may be at the close of the preceding working day and the Reserve Bank's buying rate for forward sterling for the appropriate delivery. Purchases of US dollars will, however, be made only at the Bombay office of the Reserve Bank for the present.

Bokaro Furnace Commissioned

The Prime Minister, Mrs Indira Gandhi, commissioned on October 3, the first blast furnace—one of the three constituting the first stage — of the giant Bokaro steel plant which, she said, held a bright promise for the country. The first stage, designed to produce 1.7 million tonnes of steel annually, is expected to be completed by the middle of next year at an estimated cost of Rs 758 crores. The blast furnace, the biggest of the 25 furnaces functioning in the country at present, will produce 880,000 tonnes of ingots annually. The steel complex, being built with Soviet co-operation, is expected to be completed by 1976. One of the special features of Bokaro is centralised production control which will function from a control room giving all important data on operation of the plant and distribution of power, fuel, gas, water and oxygen. Despatching sets and announcement systems, will give extensive communication-cum-conference facilities. A television network will provide visual aid to control areas.

Ranchi Foundry Forge Plant

The Prime Minister, Mrs Indira Gandhi, also commissioned the 6,000 tonnes forge press at Foundry Forge Plant at Ranchi on October 2. The giant shaft coupling the massive forgehead roared into action when Mrs Gandhi pressed a button. The commissioning of the press completed the Rs 108-crore foundry forge plant set up with credit and technical assistance from Czechoslovakia. Since 1958, the main supplier of machinery, equipment and technical assistance has been the Czechoslovak enterprise Skoda Pizen and Skodaexport. The plant supplies cast and forged iron for a number of industries. With the operation of the forging press, it is now fully equipped to manufature sophisticated heavy forgings for such important industries as shipbuilding, electrical and power equipment, steel industry and steel plants, atomic, chemical, transport and heavy machine building industries. In the final phase of its operation the plant will produce nearly 39,200 tonnes of grey cast iron with castings going up to 100 tonnes of weight. The yearly production of steel will be 145,000 tonnes with castings going up to 125 tonnes. The forging shops will have a capacity of 68,700 tonnes yearly with forged pieces going up to 100 tonnes.

GDR Recognised

India and the government of the German Democratic Republic have decided to establish diplomatic relations and to raise the status of the respective missions in New Delhi and Berlin to the level of an embassy with effect from October 8.

Sale of Controlled Cloth

Mr L.N. Mishra, union Minister for Foreign Trade, announced on October 7, that private trade will have no further sale in the distribution of controlled cloth, with effect from November 1. Controlled cloth will be distributed only through mills' own retail shops, super bazars, fair price shops opened by the state governments and National Co-operarative Consumers' Federation.

Trade with Bangla Desh

Bangladesh and this country agreed to remove imbalance, if any, in the trade between the two countries. This agreement was reached at the official level talks between the trade delegations of the two countries, which ended in Dacca on October 8. The delegations reviewed the whole range of the six month old Indo-Bangladesh trade agreement during the four day talks. The six member Indian team was led by Mr K.S. Raghupati, Joint Secretary in the Ministry of Foreign Trade. The Bangladesh team was headed by Mr Manzur Murshee, Joint Secretary in the Ministry of Commerce.

Relaxation in Licensing Policy

The union government had announced on January 1, 1972 and February 19, 1972, certain relaxations in licensing policy with a view to securing a fuller utilisation of installed plant and machinery in respect of 54 specified industries. Keeping in view the requirements of the economy, the government has identified 11 more industries, detailed below, to which the relaxations will be applicable in the same manner and subject to the same conditions, with immediate effect. The industries are: (1) hosiery needles, (2) road rollers, (3) polystyrene, (4) steel wires, (5) wheel discs, bogie wheels and crawler traction tracks, (6) industrial chains, (7) polyethylene (low density and high density), (8) PVC resins, (9) diesel locomotives (different gauges), (10) industrial alcohol and (11) synthetic detergents. The relaxations will not be applicable to industrial undertakings which commenced production after October 1, 1972. Entrepreneurs desirous of availing of the relaxations in respect of any of these 11 industries are advised to send their applications for consideration by the Task Force or automatic endorsement on licences (as the case may be) by December 31, 1972. Applications received after this date will not be entertained by government.

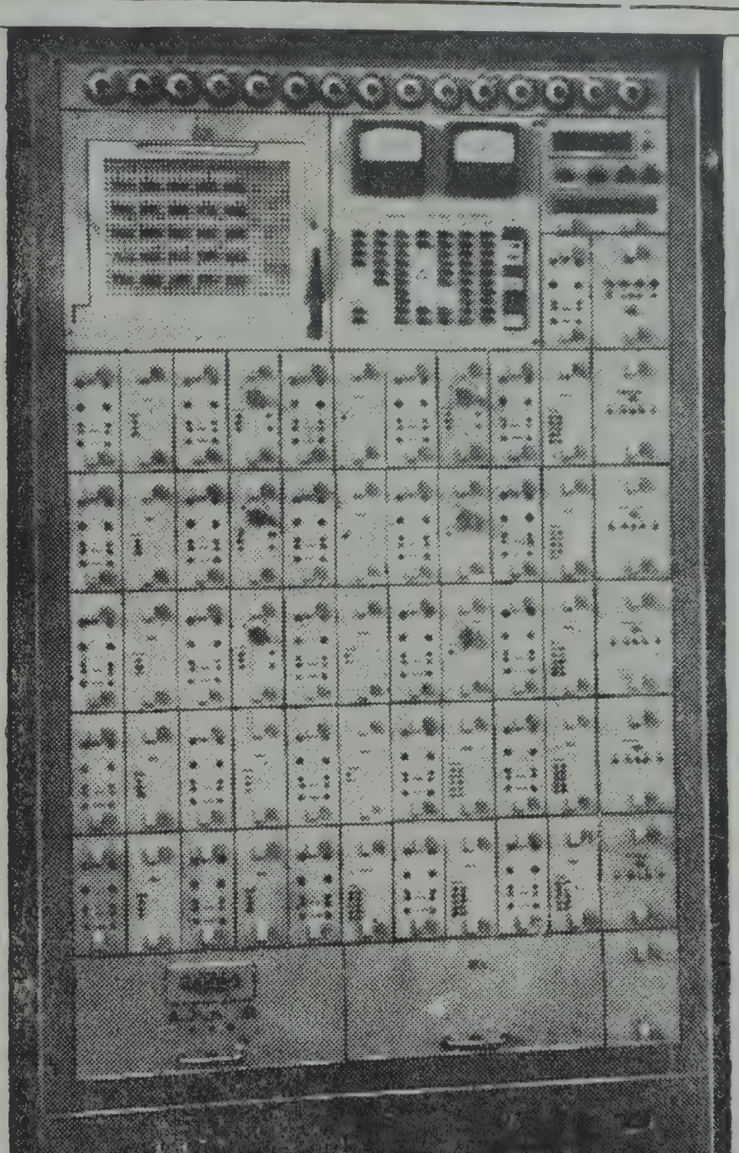
Public Investment Board

A special high-powered board has been constituted to speed up scrutiny and approval of proposals for investment in the public sector. Known as the Public Investment Board, it is headed by Secretary (Expenditure) in the Ministry of Finance. Its members are: Secretary, Economic Affairs Department, Ministry of Finance; Secretary, Planning Commission; Secretary, Industrial Development; Secretary to the Prime Minister (Dr P.N. Dhar); and Secretary of the administrative ministry concerned with the public investment proposal. The Director-General, Bureau of Public Enterprises will be a permanent invitee. The constitution of this high-level Board is designed to remove some major shortcomings in the current procedure of scrutinising proposals for investment in the public sector. The Board will examine the broad contours of an investment proposal in the project formulation stage and will decide whether the Feasibility Report should be prepared. It will take investment decision

on proposals for public investment to produce goods and provide services, and it will consider proposals for revision of cost estimates which exceed those approved at the time of investment decision. All proposals for public investment in public sector corporations and undertakings involving an amount of Rs one crore and above will be referred to the Board. Proposals on behalf of departmental undertakings which are now referred to the Expenditure Finance Committee will hereafter be referred to the Board if the investment is of Rs 1 crore and above. Investment proposals in the joint sector involving direct government capital investment of Rs 1 crore and above (excluding that of public financial institutions) will also be referred to the Board. Investment proposals of the Ministry of Railways, Ministry of Defence, Department of Atomic Energy, Space and Electronics, will be outside the purview of the Plan Investment Board. The Board will be serviced by the present Plan Finance Wing, Department of Expenditure, Ministry of Finance, which will hereafter be known as Plan Finance and Project Appraisal Wing.

Self-sufficiency in Oil

Mr H. R. Gokhale, union Minister for Law & Justice and Petroleum & Chemicals, stated recently that major projects and programmes had been undertaken by the government to achieve self-sufficiency both in the production of crude oil and refining capacity in order to meet the rising demand of petroleum and petroleum products in the country. Speaking at the fifth debenture redemption function of the Oil India Limited, Mr Gokhale outlined the detailed programme of the Oil and Natural Gas Commission for oil exploration and production in the coming five years and said that the intensive operations of the ONGC costing over Rs 600.00 crores during this period aimed at discovery of additional oil reserves which would take the Commission's rate of crude oil production to eight million tonnes per year by the end of 1978. In addition to its operations on land, ONGC was shortly embarking upon a programme of drilling in the deep waters of the Arabian sea. The seismic surveys conducted in this area had revealed existence of promising structures in what was called 'Bombay High' and adjoining areas. In the field of oil refin-



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ing, he said new refinery at Haldia and expansion of the Cochin refinery will materialise in the next few months. Expansion of the refineries at Barauni and Koyali will also be completed in the foreseeable future.

Import of Pomegranates

The union government has announced that approved importers can import fresh fruits including pomegranates from Afghanistan to the extent of 70 per cent of the value of their imports of fresh fruits during the year August 1970 to July 1971 or alternatively to the extent of 50 per cent of the value of imports in the best of any of the years August 1966-July 1967 to August 1970-July 1971. It may be added that under the new policy for imports from Afghanistan the trade has been thrown open to new-comers who may not have participated in the past in trade exchanges between India and Afghanistan.

Trade with Kuwait

Talks between delegations of India and Kuwait concluded with the signing of agreed minutes on the discussions held in New Delhi recently. Mr Khalid Suleman Al-Adsani, Minister for Commerce and Industry, government of Kuwait, led his country's delegation to these discussions. The Indian delegation was led by the Minister for Foreign Trade, Mr L. N. Mishra. The major conclusions reached during the current discussions included the sale of urea fertilizer by Kuwait to the extent of 150,000 tonnes annually for three years subject to mutually satisfactory agreement on such issues as price formulae and delivery schedules etc. The two sides noted that negotiations for the conclusion of an agreement for the supply of ammonia from Kuwait to India have reached final stage. The Kuwaiti side explained that since they consume internally a large part of their sulphur production, they would explore the possibility of supplying some quantity of sulphur from 1973 onwards. There is already a long term agreement for the supply of petroleum products from Kuwait to India up to the end of 1974. It was agreed that possibilities should be explored for establishment of joint ventures with mutual benefit of both countries. The Indian delegation urged that Kuwait should increase its volume of imports from India and the Kuwaiti side agreed to study ways and means for securing from India as large a part of their requirements as possible. The Kuwaiti side welcomed the Indian offer to extend facilities for Kuwaiti personnel for training in different fields in this country. The Indian side offered continued availability of technical personnel to meet Kuwait's needs to the extent possible.

Loans for Building Material

The Housing and Urban Development Corporation is to advance loans for the setting up of building-material industries. This was disclosed recently by Mr P. C. Mathew, Secretary, Ministry of Works, Housing and Urban Development while addressing the technical conference on the use of plastics in building industry.

Colombo Plan to Discuss 'Brain Drain'

Nearly 180 delegates from 24 countries will assemble here towards the end of this month when this country will be host to the annual meeting of the Colombo Plan Consultative Committee. This is the second time that the meeting will be held in New Delhi; the first was in 1953. A special topic of discussion for the forthcoming meeting will be 'Brain Drain' from developing countries and measures to prevent it. The Consultative Committee, which is the top policy-making body consisting of ministers of member governments, will review the economic progress made by the South and South-East Asian region and will prepare a report setting out major issues and problems confronting member-nations. A secretariat to make arrangements for this conference has already been set up. It is headed by Mr J.K. Atal, Secretary in the Ministry of External Affairs. The meeting of ministers will be inaugurated on November 6 by the Prime Minister at Vigyan Bhavan. There will also be meetings of officials of member countries as well as Information Officers of the Colombo Plan. The main theme of discussion for the Information Officers' meeting will be the role of communication in development.

Rail Link to Jammu

Jammu, the winter capital of the state of Jammu & Kashmir, was on the rail map of the country on October 2, when the first broad gauge goods train moved from Jammu to Pathankot on the newly constructed railway line. To provide direct rail service with the Jammu and Kashmir state, the Jullundur-Mukerian rail line was extended up to Pathankot in 1952. It was extended further to Madhopur on the Punjab border in 1955. The work of extending rail link from Madhopur to Kathua, —six kilometres inside Jammu and Kashmir state—was completed in 1966 at a cost of Rs 2.37 crores.

The construction of the new link from Kathua to Jammu, a distance of over 77 kilometres, was taken in hand in August 1969. Over 200 bridges had to be constructed, seven of them are important. The line from Pathankot to Jammu will have eight stations, one at district headquarter Kathua and two at tehsil headquarters Hiranagar and Samba. Other stations are Budhi, Dayala Chak, Ghagwal, Bajpur and Bari Brahmana. A number of industrial estates have sprung up in the area through which the new line passes.

HMT Output

The Hindustan Machine Tools recorded substantial increase in their production, sales and profit in 1971-72. After having been in red for several years, HMT had made a profit of Rs 30.78 lakhs in 1970-71. The company recorded three-fold increase in its profit by earning Rs 1 crore in 1971-72. Production of the company registered an increase of over 23 per cent from Rs 20.37 crores in 1970-71 to Rs 25.19 crores in 1971-72. Sales went up by Rs 6.24 crores to Rs 26.67 crores.

Goodyear Expansion

The Goodyear Tire and Rubber Co. plans to expand one United States plant and build another for non-tyre items at an estimated cost of 6.2 million dollars. Chairman, Mr Russell DeYoung, announced that the largest project is a four-million dollar expansion of an industrial rubber product plant at Marysville, Ohio, and a 2.2 million dollar plant to produce packaging film to be built at Merced in California.

Nyloe Filament Unit

An agreement was signed recently by Mr Raunaq Singh, Chairman of the Raunaq Group of Industries, on behalf of Raunaq & Co. Private Limited with Haryana State Industrial Development Corporation at Chandigarh for setting up a joint sector project in the state of Haryana for the manufacture of Nylon Filament Yarn with a capacity of 2,100 tons per annum. The Corporation had been granted a letter of intent by the government of India for setting up a new industrial undertaking for the manufacture of Nylon Filament Yarn, have now entered into a financial and management collaboration with Raunaq & Company Private Limited. Bharat Nylons Limited, the new public limited company, will be the first large-scale industrial undertaking in the joint sector in Haryana. The Corporation will be taking up 26 per cent and the private collaborators will take up 25 per cent of the equity capital. The balance of 49 per cent will be offered to the public. The project is expected to be commissioned within a period of about two years.

PAN AM Cargo Terminal

Pan American World Airways opened a new cargo terminal at Delhi airport on

October 7. The new terminal is intended to dispense with the prevalent time-consuming air cargo booking operations. Exporters with large overseas shipments can now contact PAN AM's cargo terminal directly, and not have to put up with the customary delays, waiting and travelling between booking office, customs and the airport.

Textile Exports

Exports of cotton textiles this year are likely to exceed Rs 145 crores, accordidg to Mr K. M. D. Thackersey, Chairman of the Cotton Textiles Export Promotion Council. He stated recently that quota for the USA of 115 million sq. metres for the year ending September 1972 had been fulfilled. Exports to EEC countries would be better during the year compared with previous year. Exports to Bangladesh, a new market for cotton piece goods, might touch Rs 10 crores. The opportunities were even greater if the industry continued to cater to the requirements of that market in an organized manner. For the UK too, which had been presenting a discouraging picture for India's cotton piece goods, exports were improving.

The ministry of Foreign Trade has abandoned 15 per cent statutory export obligation on the cotton textile industy. This decision was taken following an assurance by the industry that it will attain the target without any element of compulsion.

NIDC Earns Foreign Exchange

The National Industrial Development Corporation, a consultancy organisation under the Ministry of Industrial Development, earned Rs 12.33 lakhs in foreign exchange in 1971-72. The net surplus of the corporation amounted to Rs 15.02 lakhs last year and the turnover for the year was Rs 128.02 lakhs. The corporation paid a dividend of 15 per cent and bonus of 20 per cent to its employees for the third consecutive year. Last year, the company was selected from amongst a number of world-renowned organisations from the United States, France and Switzerland by the United Nations to evolve a detailed plan for the development of the capital goods industry in Iran. It was also appointed by the government of the Libyan Arab Republic to provide turn-key consultancy services for the establishment of a steel-melting and billet-casting plant in that country. The Corporation extended its consultancy services to the Nagaland Pulp and Paper Project, Assam Paper Project at Nowgong and the Newsprint Plan in Kerala. Other note-worthy projects included the Bailadilla Iron Ore project, the Pumps and Compressors project at Naini and the New Cable factory at Hyderabad.

Gold Price

The Hutti gold mines announced recently that the price of gold of fineness 995, to be supplied to holders of permits for industrial use from October 1 to December 31 this year, will be Rs 240 per 10 grammes plus sales tax.

Bulldozer Attachments

The manufacture of bulldozer attachments for Caterpillar earthmoving equipment has been taken up by Larsen & Toubro Limited. It is an important step forward in import substitution. The bulldozer attachment in front of a tractor acts as a heavy workhorse in clearing virgin land, levelling uneven surfaces, building access roads, and wherever land development work is in progress A major part of the bulldozer is made indigenously. Suitable for crawler tractors of 65 to 385 h.p., the assembly comprises blade groups, brace groups, C-frames, trunnions and hydraulic cylinders. The company plans, with further development of indigenous sources of supply, to reduce imported components to a minimum. Already 62 units have been manufactured and supplied by Larsen & Toubro to the agricultural and irrigation departments of various state governments, notably of Maharashtra, Assam, Andhra Pradesh and Pondicherry. The equipment is reported to be performing well under extreme loads. The manufacturing operations are under experienced hands, some of whom have had extensive training at Caterpillar Tractor Co., Australia, in the design and manufacture of the equipment.

Tea Exporters Meet

A meeting of the Sub-Group of Exporters of tea was held in Rome from September 18 to 22, 1972 to discuss mainly the outlook for exportable supplies and the import requirements

INDUSTRIAL FINANCE CORPORATION OF INDIA

5¾% BONDS 1984

PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL GUARANTEED BY THE GOVERNMENT OF INDIA
AMOUNT OF ISSUE : Rs. 10,00,00,000
ISSUE PRICE : Rs. 100.00 PER CENT

REDEEMABLE AT PAR ON THE 23RD OCTOBER 1984

The Bonds are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act, and are also eligible for grant of advances to scheduled banks by the Reserve Bank of India. They are on the approved list of securities of the State Bank of India. They are also eligible for investment of the accumulations of the Provident Funds, exempted as well as non-exempted.

Subscription will be received in cash/cheque at the branches of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, Nagpur New Delhi and Patna from Monday, the 23rd October, 1972 but the list will be closed without notice as soon as the total subscriptions amount to Rs. 10 crores, and in any case, not later than the close of business on Thursday, the 26th October, 1972. The Corporation reserves the right to retain subscriptions received upto 10% in excess of the sum of Rs. 10 crores.

The Bonds will have a currency of 12 years and will be repaid at par on the 23rd October, 1984. They will bear interest at the rate of 5¾% per annum from the 23rd October, 1972. Interest will be payable half yearly on the 23rd April and 23rd October and will be subject to tax under the Income Tax Act, 1961.

Copies of the Prospectus and application forms can be had from the Offices of the Reserve Bank of India as also from the Head Office of the Corporation at Bank of Baroda Building, 16-Parliament Street, P.B. No. 363, New Delhi-1, its branches/sub-offices at (i) Jivabhai Chambers, Ashram Road, P.B. No. 4049, Ahmedabad-9, (ii) 22-Mahatma Gandhi Road, P.B. No. 5091, Bangalore-1 (iii) 20-Forest Park, Bhubaneswar-9; (iv) Mehta Mahal (5th Floor), 15-Mathew Road, P.B. No. 3928, Bombay-4, (v) 4-Mangoe Lane (2nd Floor), P.B. No. 2483, Calcutta-1, (vi) G.N. Bardoloi Road Chandmari, P.B. No. 30, Gauhati-1, (vii) 6-3-631, Zilla Parishad Road, Khairatabad, P.B. No. 11, Hyderabad-4, (viii) Aggarwal Building, Canal Crossing, The Mall, P.B. No. 319, Kanpur-4 (ix) Raji Building (3rd Floor), 147-Mount Road, P.B. No. 1080, Madras-6, (x) 43-Patliputra Colony, Patna-13 and also from the Delhi Division at No. 5-Parliament Street (Jeevan Tara Building), New Delhi-1.

Arrangements will be made for listing of these Bonds at the Bombay, Calcutta and Madras Stock Exchanges.

Brokerage will be paid at the rate of six paise per Rs. 100/- to recognised banks and brokers on allotments made in respect of applications for the Bonds bearing their stamp and tendered by them.

New Delhi,
Dated, the 25th Sept., 1972

C. D. KHANNA
Chairman

DAVP. 806 (30)/72

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for 1972-82 and action arising out of the above. The meeting was proposed to *inter alia* fix the quotas for the year 1972-73 within the framework of the long term arrangement arrived at the meeting. The Indian Delegation was led by Mr A.C. George, Deputy Minister for Foreign Trade. Other members of the delegation were : Mr B. R. Vohra, Chairman, Tea Board, Mr G.P. Mital, Director, Ministry of Foreign Trade and two representatives of tea industry.

New Industries in Kashmir

The government of Jammu and Kashmir has reported a satisfactory response to its efforts to attract private capital from other parts of the country to invest in joint industrial ventures in the state. Many offers and inquiries have been received from entrepreneurs interested in participating in setting up some of the 21 industries which the government has identified for establishment in this sector. Most of these are consumer goods industries based on local resources or semi-processed and intermediate products used by other industries. Some of these industries are:

Cattle feed milling plant, cigarette factory, sugarbeet factory, maize processing plant, brick and tile factory, soybean solvent extraction plant, glass bottles and decorative glass, particle board from paddy husk, alum manufacture, fertilisers, alcohol from sugarbeet, cattle feed from sugarbeet, kraft paper, paper/cardboard mill, polyurethene foam and walnut packing units.

Alliance of Young Entrepreneurs

National Alliance of Young Entrepreneurs (NAYE) celebrated its fifth anniversary recently. The National award of Laghu Udyog Ratna instituted by NAYE (a gold medal and a silver plaque) was presented on September 19 to Mr R. Bhat by Mr C. Subramaniam, union Minister for Industrial Development, Science & Technology. It was the only award given annually exclusively in recognition of meritorious services to the small scale sctor. The award in 1971 was given to Mr K.L. Nanjappa, Development Commissioner, Small Scale Industries by Mr L. N. Mishra, Minister for Foreign Trade. The First Study Group of small and medium entrepreneurs in the capital was inaugurated by Mr Jayaprakash Narayan.

Industry in West Bengal

Almost all the districts of West Bengal, except Calcutta, Howrah and 24-Parganas, have been declared backward and thus made eligible for concessional finance and preferential treatment for institutional assistance. Another important measure taken is in the direction of preventing shifting of industries from the state as part of general policy. Similarly, steps have also been taken to ensure that industrial undertakings located in the state are encouraged to expand within the state. The Industrial Reconstruction Corporation with headquarters at Calcutta has been set to help the sick units.

Chanderpura Thermal Station

The scheme for extension of Chanderpura thermal station has been approved by the Planning Commission for inclusion in the fourth Plan of the Damodar Valley Corporation in West Bengal. The scheme involues the installation of one thermal generation set of 120 MW capacity. The total cost of the scheme will not exceed Rs 19.95 crores. The scheme which is likely to be commissioned in 1976-77 is expected to yield a return of 7.1 per cent in the third year of operation.

International Philatelic Exhibition

The Posts & Telegraphs Department will hold an International Philatelic Exhibition in New Delhi in November 1973. This was announced recently by Mr H. N. Bahuguna, Minister of Communications, at a Press Conference. The Exhibition, which is being organised to develop public interest in philately, particularly among the younger generation, will be known as India International Philatelic Exhibition abbreviated as "INDIPEX 73". As many as 2,500 specially designed frames will be provided to display exhibits from all over the world. More than 400 Gold, Silver and Bronze medals will be awrded in addition to some special prizes.

Water for Villages

Nearly 5,000 bores have been drilled and 1,500 hand pumps and 20 power pumps installed to provide drinking water in villages. This coveres a population of nearly 1.5 million, in scarcity and difficult areas in Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Mysore, Rajasthan and Tamil Nadu. Under this central scheme, 12,000 bores for handpumps and 200 bores for power pumps were to be drilled covering 17,000 villages with a population of about 11.8 million during the fourth Plan. This scheme was started to give priority to providing water in hard rock formation areas and other scarcity areas. As part of the scheme UNICEF were to supply approximately Rs 5.7 crores worth of equipment in the shape of 100 hard rock drilling rigs and accessories. Forty-five rigs have already been received and are working in various states..

Planning at State Level

Central assistance to the extent of two-thirds of the additional expenditure to be incurred for strengthening the planning machinery at the state level will be provided to the states. This decision was taken by the Planning Commission in recognition of the need for strengthening the machinery for planning at the state level. In this connection, the Commission has suggested to the states to take necessary measures to set up effective apex planning bodies and also strengthen and organise the planning departments on a functional basis. The apex body at the state level, the commission has suggested, should include the chief minister, the finance minister, the planning minister and technical experts representing various departments and disciplines as members. To ensure that the apex planning body is effective in getting plan formulation as well as the monitoring of plan implementation, a non-official full-time Deputy Chairman should be appointed to be incharge of the apex body. The Deputy Chairman will operate through the state Planning Department which could function as the secretariat of the apex planning body. In order to enable the planning departments to discharge their secretarial functions, the Commission has suggested that their strength should be suitably augmented with experts.

Management Technology

Mr T. A. Pai, Minister for Railways, inaugurated the Second Course on Network Techniques and Performance Budgeting at the Indian Institute of Public Administration recently. He pleaded for an open mind in regard to technology, especially relating to management, and asked the administrators to find out for themselves as to what technology would suit conditions in the country.

Increased Use of Capacity

Applications from 32 larger industrial houses and foreign majority companies for fuller utilisation of installed capacity have been approved by the task force set up by Ministry of Industrial Development, following the government's decision to remove capacity constraints in respect of 65 priority industries. These units will now be able to utilise capacities they had installed in excess of what was stipulated by the industrial licences granted to them and receive priority in the allocation of additional raw material for the capacity since regularised. The task force had received in all 208 applications till October 4 in this connection. Of these, it considered 160 applications in 20 meetings held so far and disposed of 100, rejecting 68 applications.

COMPANY AFFAIRS

Hindustan Motors

HINDUSTAN MOTORS Ltd has reported encouraging working results during the year ended March 31, 1972 with sales, production and earnings recording substantial improvements over the preceding year. During 1971-72 the company produced 26,224 cars and 1,141 trucks as, against 24,400 cars and 1,501 trucks respectively in 1970-71. Sales during the year touched the handsome figure of Rs 63.88 crores as against Rs 54.61 crores in 1970-71 while the revenue account, after taking into account Rs 5.09 lakhs brought forward from the previous year and a sum of Rs 9.75 lakhs written back against development rebate reserve no longer required and after providing Rs 412 lakhs for depreciation, showed a credit balance of Rs 116 lakhs as against Rs 5.09 lakhs in the preceding year. The directors have skipped the dividends on preference and equity shares. In this connection the directors have stated that considering the working results of the company and the terms of the loan agreement with the US Agency for International Development it has not been possible for them to recommend any dividend.

The directors complain that the government is trying to keep the prices of the company's car at a very low level while manufacturing cost is continuously going up due to spurt in the prices of raw materials, ancillaries, labour and other items. If the increase on these counts is not allowed by the government, profitability of the company is bound to be affected adversely and it will not be possible to achieve the 16 per cent return as awarded by the Supreme Court.

Production has been progressively increasing in the heavy engineering division. During the year production of shovels increased by 38 per cent over the preceding year. The cranes manufactured also increased by more than 46 per cent. The company has taken up the production of presses of 150-tonne capacity in collaboration with the US Industries of the US in the current year. Owing to the delay in the receipt of imported components the first press is expected to roll out of the assembly lines by the end of this month. The production of other heavier presses will be taken up next year. The earth moving equipment plant in Tamil Nadu commenced operations in the later part of the year under review. To begin with it is confined to the production of dumpers. It is expected to start the production of loaders by the latter part of the current year. Next year it is intended to commence the production of crawler tractors.

Indian Rayon

Indian Rayon Corporation Ltd has reported excellent working results during the year ended June 30, 1972, with gross profit more than doubling to Rs 143.53 lakhs from Rs 68.28 lakhs and sales jumping to Rs 6.18 crores from Rs 4.38 crores in 1970-71. Substantial rise in production of rayon yarn, higher sales of chemicals and the various steps taken by the company to effect all possible economies in production cost have, by and large, been responsible for the significant improvements in the working results during the year. As the profit earned is still inadequate the directors have skipped the dividends on preference and ordinary shares.

The production of rayon yarn in the year under review increased to 3467 tonnes from 2662 tonnes in 1970-71. The company has now an installed capacity for producing 3650 tonnes of rayon yarn per annum and the plant is running at almost its installed capacity. Some balancing equipment for improving quality and rectifying other deficiencies are on order or under erection. The company's application for a letter of intent to manufacture 10 tonnes of transparent cellulose film per day has not been approved by the government. Its application for the letter of intent to manufacture 50 tonnes of rayon grade caustic soda per day is still pending with the government. The company's working so far in the current year is quite encouraging. In the first two months of the current year—July-August--production of rayon yarn was higher at 601 tonnes as compared to 532 tonnes in the similar period of the preceding year while sales amounted to Rs 112.17 lakhs as against to Rs 83.32 lakhs in the same period of the previous year.

Universal Cables

The Universal Cables Ltd has announced that the whole dividend of 14 per cent declared by the company for the year ended March 31, 1972 will be tax free in the hands of the shareholders and no tax whatsover will be deducted at source therefrom under Section 194 of the Income tax Act 1961.

India Steamship

India Steamship company's freight earnings touched the peak figure of Rs 16.97 crores during the year ended March 31, 1972, and it outstripped all the previous records by a very considerable margin. After appropriating sum of Rs 1.57 crores for depreciation and meeting all other normal charges, a balance of Rs 1.70 crores is left in the profit and loss account. Out of this, an amount of Rs 95 lakhs has been provided for development rebate. The balance, together with other amounts, has been transferred to general reserve. Last year the directors were compelled to withhold the payment of dividend on preference shares. This year the directors have recommended the payment of this arrear dividend out of the general reserve. They have also recommended a sum of Rs 1,62,500 for distribution as dividend to the preference shareholders at five per cent grossed up for the current year and Rs 24.75 lakhs to the ordinary shareholders at Rs one per share, subject to deduction of tax.

Scindia Steam

Scindia Steam Navigation Co. Ltd, has reported marked improvements in its working result during the year ended June 30, 1972 with its gross revenue profit establishing new records during the year. Encouraged by the working results the directors apart from declaring an equity dividend of Rs 2.25 per share — the same as in 1970-71 — have also proposed a cash bonus of 25 paise per share. This is not all. The management has also announced a one for five bonus issue. It was in 1957 that the company made its last bonus issue which too was in the same ratio. The entire dividend for 1971-72 is expected to be taxable whereas in the previous year nearly 63 per cent of the distribution was exempted from tax in the hands of the shareholders. With an appreciable rise in gross revenue from Rs 40.98 crores to Rs 46.94 crores, gross profit has jumped to Rs 9.70 crores from Rs 7.29 crores in 1970-71. The directors have enhanced the appropriations to all the reserves. The allocation to depreciation reserve was stepped up from Rs 3.56 crores to Rs 4.37 crores, to development rebate reserve from Rs 1.70 crores to Rs 2.90 crores and to taxation reserve from Rs 0.35

crore to Rs 0.70 crore. This leaves a higher net profit of Rs 1.73 crores as compared to Rs 1.68 crores in 1970-71, The proposed dividend and cash bonus will absorb Rs 1.41 crores. The considerable improvement in the company's performance is attributed to more freight realisation in liner trade and improved cargo availability during the year.

It has acquired two new ships and one more vessel of 103,000 DWT which is is scheduled to arrive in May 1973. The company has also ordered a bulk carrier of 54,000 DWT from West Germany which is expected in September 1973 and it is also planning to acquire shortly three or four additional vessels. The expanded fleet is expected to help the company further in increasing its earnings in the current and coming years.

Blundell Eomite

The directors of Blundell Eomite Paints Ltd have proposed a final dividend of 12 per cent which together with the interim of four per cent makes a total of 16 per cent for the year ended June 30, 1972. For 1970-71 the company paid a dividend of 14 per cent. A portion of the proposed dividend for 1971-72 is likely to be exempted from tax. During the year while sales increased by 5.6 per cent to Rs 3.92 crores from Rs 3.71 crores, gross profit has gone up by as much as 42.5 per cent to Rs 45.83 lakhs from Rs 32.16 lakhs in 1970-71. The appreciable rise in earnings is attributed to the vigorous expansion programme of product rationalisation with increased emphasis on more profitable items. Out of the gross profit the directors have allocated a sum of Rs 6.86 lakhs to depreciation, Rs 0.12 lakhs for development rebate reserve, Rs 23.23 lakhs for taxation as against Rs 6.90 lakhs, Rs 0.10 lakh and Rs 12.32 lakhs provided respectively in 1970-71. This leaves a higher net profit of Rs 15.62 lakhs as against Rs 12.84 lakhs in the preceding year. After adjustments a sum of Rs 1.50 lakhs has been transferred to debenture redemption reserve and Rs 14.50 lakhs to general reserve.

Aluminium Corporation

The directors of Aluminium Corporation of India have skipped the dividend in view of the adverse working results for the year ended March 31, 1972. Earlier during the year the company had issued bonus shares in the proportion of one share for every two shares held. In the preceding year a dividend of five per cent was declared on ordinary shares and this was paid by making a transfer from the general reserve. During the year under review the company has incurred a loss of Rs 32.03 lakhs as against a profit of Rs 31.49 lakhs in 1970-71. No depreciation has been provided for the year.

The unsatisfactory working results are attributed to sharp increase in the cost of production, increase in wage bill, escalation in cost of raw materials and consumable stores and power. The power tariff paid by the Corporation is almost three times that charged to other aluminium producers in the country. Moreover the controlled prices of aluminium products, are quite unremunerative.

Vulcan-Laval

A new versatile filling machine is now being manufactured by Vulcan-Laval Limited. Called the LF-6, it provides accuracy of ±1.5 per cent by weight and has a maximum filling speed of 40 fills per minute. It can fill a range of quantities from a few grams to 50 kgs.

Easy to maintain and operate, the machine can fill a variety of powders and granules of foods, pharmaceuticals, chemicals, dyes, distempers, insecticides, and fertilisers. All contact parts are made of stainless steel and the machine permits changing from one product to another with minimum adjustment. This has been manufactured by the company, at its Poona factory, with the technical know-how of Arenco-Alite, UK international leaders in powder and granule filling technology.

Dunlop India

Dunlop India limited has released the report for the half-year ended June 1972. Thanks to the completion of expansion schemes during the latter half of 1971, sales for the period under review have risen to Rs 43.24 crores from Rs 41.77 crores in the half-year ended June 1972. This was in spite of the serious losses of production at the Ambattur factory due to stay-in-strike and subsequent lockout covering 43 working days and at the Sahaganj factory due to recurring power shortages. After deducting 41.08 crores (Rs 38.55 crores) being manufacturing and trading expenses including excise duty, the trading profit amounts to Rs 215.64 lakhs (Rs 322.07 lakhs). Adding Rs 31.45 lakhs (Rs 22.43 lakhs) being miscellaneous income, there is an available surplus of Rs 247.09 lakhs (Rs 344.50 lakhs). Despite the increase in sales, the profitbility has been seriously affected. Apart from the above mentioned reasons, there has been a rise in manufacturing costs without any corresponding increase in the selling prices of automotive tyres and tubes due to government restrictions. After providing Rs 90.48 lakhs (Rs 67.48 lakhs) for depreciation and Rs 66.90 lakhs (Rs 62.72 lakhs) for interest payable the pretax profit amounts to Rs 89.71 lakhs (Rs 214.30 lakhs). A sum of Rs 23.32 lakhs (Rs 68.69 lakhs) is provided for taxation. Longterm agreements with employees at both the Ambattur and Sahaganj factories have been concluded. It is, therefore, hoped that production levels during the second half of this year will show improvement. This is, of course, subject to the availability of adequate power in West Bengal and Tamil Nadu. It is also added that the right issue has not yet been completed and consequently the declaration of an interim dividend has to be delayed. This will be considered by the boa later in the year.

Garware Nylons

Garware Nylons Limite has visualised a bright ou look for the company durir the year at its annual gener meeting in Bombay recen ly. The chairman was no commital in the matter of div dend except saying that he wi do his best.

The company has made ve good progress so far in the fir five months of the current yea with sales increasing by 10 p cent from Rs 2.03 crores Rs 2.55 crores. Average sal per month worked out to R 51 lakhs. As against this pr duction has risen by 17 per ce over the same period of la year. It is significatnt to no that sales have risen despi price reduction following th agreement between nylon spi ners and the weavers and hopeful of maintaining th same rate of progress in th rest of the year.

The chairman informed th shareholders that the com pany's licence has been endor ed by the government for rai ing the production capacity nylon yarn prior to expansio from 756 tonnes per annum 1156 tonnes per annum. Aft the expansion its productio will be 2394 tonnes per an num, he said. The expansio programme has made goo progress.

News and Notes

Expansion and Diversificati

Forbes Campball and C Ltd, Bombay, has received letter of intent for doubling i capacity of threading taps 40 lakhs per annum. Th company proposes to unde take this expansion at Aurang bad. The plant is expected go on stream by Septemb 1973 or March 1974 dependi on the arrival of imported m chinery. A major portion the production is expected be exported. The cost of th project is estimated at R 60.25 lakhs.

THE directors of **Khandelw**

Ferro Alloys Corporation have proposed to issue, subject to the consent of the Controller of Capital Issues, bonus shares in the ratio of two shares for every five shares held. The bonus issue will be made by capitalising a sum of Rs 49.79 lakhs out of the company's reserves.

Bombay Burmah Trading Corporation Ltd has not only stepped up the equity dividend but also has announced a bonus issue of equity shares in the ratio of one-for-five. The board of the directors have proposed a final equity dividend of 2.75 and a 'specia' non-repeatable extra dividend' of 50 paise per share for the year ended May 31, 1972. This along with the interim dividend of Rs 1.75 per shares raises the year's total distribution to Rs 5 per share as compared to a total dividend of Rs 4.25 for 1970-71. The dividend will absorb a sum of Rs 73.56 lakhs as against Rs 62.53 lakhs in the preceding years. The proposed bonus issue will be effected by capitalising a sum of Rs 73.56 lakhs out of the reserves. After the proposed bonus issue the company's share capital will increase to Rs 4.41 crores.

The year 1971-72 was yet another successful year for **Shipping Corporation of India Ltd.** During this period, orders were placed for 17 ships comprising 7.36 lakhs DWT, the biggest tonnage ordered during any single year so far by the Corporation. The gross earnings during the year were the largest ever and there was also record profit. Gross earnings at Rs 7,704 lakhs showed an increase of over 17 per cent in 1971-72 compared to Rs 6,584 lakhs in the previous year. Both profits and return on paid up capital improved further. Gross profit before depreciation, interest and tax, increased to Rs 1,912 lakhs in 1971-72 as against Rs 1,675 lakhs in 1970-71. The net profit increased to Rs 807 lakhs compared to Rs 691 lakhs in 1970-71. The percentage of net profit to the paid up capital for the year 1971-72 has increased to 34.41 per cent compared to the 29.5 per cent in 1970-71. (This 34.41 per cent is on the paid up capital of Rs 2,345 lakhs without taking into account the investment of Rs 450 lakhs on Jayanti's shares, as no dividend has been received by the Corporation on Jayanti's shares.)

The Corporation has again declared a dividend of six per cent on the previous paid up equity capital of Rs 2,345 lakhs and a pro rata dividend at Rs 2,738 per share on 4,49,844 shares issued to government during 1971-72 in lieu of the shares of the Jayanti Shipping Co. transferred to the Corporation by the government of India. Thus, the total amount of dividend of provided for payment for the year 1971-72 is Rs 1.53 crores. The Corporation's fleet today consists of 76 ships of 13.53 lakhs DWT and an even larger tonnage, comprising 39 ships of 16.35 lakhs DWT is on order. Bulk of the tonnage on order consists of tankers and bulk carriers which constitutes 52.1 per cent and 34.5 per cent respectively of the tonnage on firm order. With the additional orders placed, it is expected that the Corporation's tonnage may reach about 35 lakhs DWT in 1975 as against 13.5 lakhs DWT at present.

Every effort continues to be made to find internal financial resources for expansion of the fleet. At the end of March 1972, the self-generated resources amounted to Rs 7,996 lakhs as against Rs 6,543 lakhs up to the end of the previous year, out of the total financial outlay of Rs 20,844 lakhs and

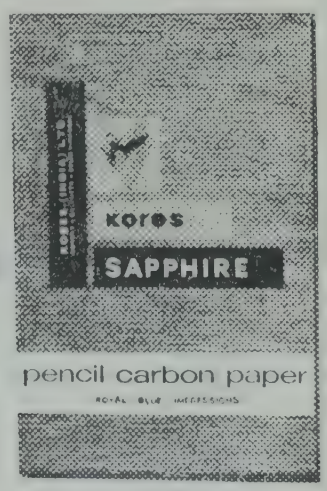
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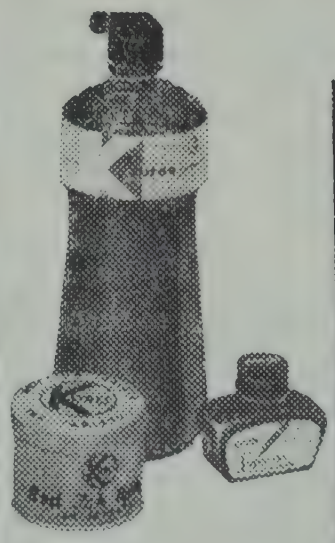
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Today, our total direct employment number 11,000—20% more than in 1967. And when our planned diversification programmes start, over 2,500 new jobs would have to be manned. Additionally, our interconnected concern, Indian Leaf Tobacco Development Company Limited, already employ 25,000 including seasonal labour during the tobacco season.

Employment for 5.5 lakh more has been generated indirectly by our operations. They are the trade in general. They are our suppliers and professional agencies and transport and other tertiary services. They also include the several thousand people in the 110 small scale sector units we have helped to develop.

Further self-employment opportunities have been created by our novel Jai Jawan Stalls Scheme, first started in 1966.

Our efforts indeed are humble : but if they go even a small way towards helping national interests. we shall have served our purpose



India Tobacco Company Limited
—in pursuit of progress

ITC/PR-17

Rs 17,520 lakhs on March 31, 1972 and March 31, 1971 respectively.

The three-pronged drive launched by the **Unit Trust of India** in July last to boost the sales of units appears to have begun to yield results. Sales by the Unit Trust during July-September 1972, the first quarter of the current year, have been higher at Rs 13.16 crores against Rs 8.84 crores in the corresponding quarter of last year. Sales in the first quarter have, however, been slightly lower than Rs 13.65 crores in the first quarter of 1970-71. Sales (excluding sales under reinvestment plan) at special offer price of Rs 10.45 during the special offer period of July amounted to Rs 10.94 crores against Rs 7.83 crores during the similar period in the previous year. A step-up in the dividend distribution to 8.25 per cent for 1971-72, offer of units at a lower price of Rs 10.45 during the special offer period this year against Rs 10.60 a year ago, and the narrowing of the margin between the sale and repurchase prices of units to three percent were the basic factors which reversed the trend in the sales of units.

The Trust's investments in equity shares amounted to Rs 5 crores in the first quarter of the current year against Rs 2.2 crores in the corresponding quarter last year. In line with the Trust's new policy, it planned to invest increasingly in equities. During July-September 1972, 41,272 new investors joined the Trust against 29,280 in the corresponding period last year. During the quarter under review, sales to non-residents amounted to Rs 17.40 lakhs and under the children's gift plan to Rs 31.73 lakhs. Repurchases during the quarter amounted to Rs 71.30 lakhs against Rs 74.56 lakhs in the corresponding quarter of the previous year. The number of unit holders at the end of September 1972 totalled 4,67,373, with funds invested amounting to Rs 116 crores. The Unit-linked Insurance plan also made good progress during the quarter. Four hundred and six new applicants joined the Plan for a total business of Rs 32.71 lakhs.

Jayant Paper Mills is engaged in completing arrangements to implement its expansion programme aimed at raising the capacity from 6,720 tonnes of paper and boards per year to 15,720 tonnes. The company has already received the letter of intent for the expansion and the necessary industrial licence is awaited. The expansion programme is estimated to cost Rs 80 lakhs and will be completed within two years of the receipt of the industrial licence. The directors might resort to the issue of right shares to meet a part of the finance required for the implementation of the expansion programme.

New Issues

Suri and Nayar Ltd will soon be offering for public subscription at par 210,600 equity shares of Rs 10 each and 10,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each. The company is at present manufacturing 'San' locomotives in the range of 47 H.P. to 450 H.P. at its small works in Bombay. It proposes to expand its activities by taking up the manufacture of 'San' locomotives of various types and sizes at its project at Bangalore. It has also plans to undertake contracts for general engineering and fabrication and in particular manufacture special types of agricultural machinery. The company has an authorised capital of Rs 1 crore and an issued and subscribed capital of Rs 5.10 lakhs. The present issue is for Rs 40 lakhs out of which equity shares of Rs 2.40 lakhs have been reserved for directors and their associates and Rs 6.54 lakhs for technical collaborators. The remaining capital of Rs 31.06 lakhs is now being offered to the public for subscription. The capital outlay on the project is estimated at Rs 113.67 lakhs.

The Industrial Finance Corporation of India has decided in consultation with the central government and the Reserve Bank of India, to augment its resources by the issue of Bonds for Rs 10 crores (5¾ per cent Bonds 1984). The bonds are fully guaranteed by the central government as to repayment of principal and payment of interest, and are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act. They will have a maturity of 12 years, and will carry interest at 5¾ per cent per annum. The issue price will be Rs 100 for every Rs 100 of the bonds applied for. The list will open on October 23, 1972 and will close on October 26 or earlier as soon as the issue is fully subscribed. The bonds are eligible securities for the purposes of advances to scheduled banks by the Reserve Bank of India under Section 17(4) (a) of the Reserve Bank of India Act, and are also included in the list of approved securities of the State Bank of India. The Industrial Finance Crorporation has already issued 14 series of bonds since 1952 for an aggregate amount of Rs 83.25 crores, out of which the amount outstanding is Rs 61.00 crores. The Corporation has built up reserves of the order of Rs 16.02 crores against its paid-up capital of Rs 9.17 crores.

Company Meetings

Modi Spg. & Wvg. Mills Co. Ltd : Registered Office, Modinagar, October 31; 4 P. M.

Consolidated Coffee Ltd : Registered Office, Pollibetta, Coorg; October 27; 11 A.M.

The Central India Spinning Weaving and Manufacturing Company Ltd : Registered Office, Bombay House, 24, Bruce Street, Fort, Bombay-1; October 31; 4 P.M.

Bharat Nidhi Ltd : India International Centre, 40 Lodhi Estate, New Delhi-3; October 31; 3.30 P.M.

Interim Dividend

The directors of **Philips India Ltd** have announced an interim equity dividend of 12 per cent for the year ending December 31, 1972.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Fort William Co.	March 31, 1972	15.0	Nil
Travancore Chemical Manufacturing Company	June 30, 1972	27.5	25.0
Same Dividend			
Spencer and Co.	June 30, 1972	20.0	20.0
Investment Corporation of India	June 30, 1972	9.5	9.5
Hastings Mill	March 31, 1972	1.0	1.0
T. Maneklal	May 31, 1972	20.0*	20.0
Deepak Industries	December 31, 1971	Nil	Nil
Indo-American Electricals	March 31, 1972	12.5	12.5
Asian Dehybates	March 31, 1972	Nil	Nil
Reduced Dividend			
Kalpetta Estates	April 30, 1972	12.5	14.0
Parkside Neilgherry Hills) Estates Company	June 30, 1972	27.5	30.0

*On increased capital.

HEAVY ELECTRICALS (INDIA) LTD. BHOPAL

Speech delivered by Shri V. Krishnamurthy, Chairman & Managing Director, Heavy Electricals (India) Limited, Bhopal, at the 16th Annual General Meeting held on 30-9-1972, at New Delhi.

Ladies and Gentlemen,

It gives me great pleasure to welcome you to the 16th Annual General Meeting of Heavy Electricals (India) Limited, Bhopal. The audited accounts for the year ended 31st March and the Directors' Report have already been circulated and, with your permission, I shall take them as read and adopted.

Production :

The targets set for the year 1971-72 were substantially achieved as a result of the intensive efforts put in at all levels during the second half of the year. A finished output (including major assemblies) of Rs. 35.96 crores was achieved against the target of Rs. 36.18 crores. The total value of turnover was Rs. 4243 lakhs against Rs. 2890 lakhs during the previous year, thus registering an increase of 46 per cent. Targets were kept up in the production of Switchgear, Capacitor, Traction and Industrial Machines. In the case of Transformers, the targets could not be maintained; one of the contributory factors being the scarcity of steel in the country and delay in receipt of materials and imported components. In respect of the Turbines and Generators, the progress has been rather slow. The Steam Turbine and Turbo-generator manufacture are still in the development stages. The slow growth of production on the power plant has resulted in a number of complaints from the customers because of non-adherence to the promised delivery schedules. The job of the factory was rendered more difficult because of the halting supplies of components, castings and forgings from the foreign suppliers and lack of adequate capacity both within the factory and outside for heavy fabrication.

During the year, the first 120 MW turbo-generator, the largest yet produced in India, was built and satisfactorily tested at the factory. Among the other achievements during the year were the completion of a Marine Turbine for the Leander Class Frigates, a 67.5 MVAr Coreless Reactor and two 30 kA Booster Transformers, the largest ever made in India in their class, DC and AC large Vertical Motors, a Class 'H' insulated DC Motor for industrial application and the manufacture of Eddy Current Clutches for Diesel Electric Locomotives.

Erection and commissioning of one 30 MW Turbo-generator set at Parli Thermal Power Station and the 15 MW Hydro Generators at UBDC and Bassi Hydel Power Stations were completed. Among the industrial drives which have been commissioned, I would like to mention the first paper machine drive for the Ballarpur Paper and Straw Board Mills. The erection work of other products of the Company are progressing satisfactorily. The work at Taloja Project of the Indian Aluminium Company was completed in a record time and was appreciated by the customer.

Operating Results :

The operating results for the year 1971-72 show a loss of Rs. 142 lakhs. If account is taken of the receipt of Rs. 231 lakhs relating to the earlier years, there is a nett surplus of Rs. 89 lakhs during the year. This represents a considerably improved performance over the previous year when the losses were Rs. 578 lakhs. Efforts are being made in different directions, including streamlining the Organisation, to ensure working of the unit profitably in the coming years.

The Company has incurred losses aggregating to Rs. 5927 lakhs as at 31-3-1972 and this has been a drag on the operating results of the unit. The Government of India have examined in detail the financial structure of the Company through the Bureau of Public Enterprises. It is hoped that on the basis of their analysis Government will afford the necessary financial relief to the Company.

Export :

The efforts of your Company, both direct and in association with the Indian Consortium for Power Projects Limited, have resulted in a fair amount of export business and the export order book at the end of the year stood at about Rs. 138 lakhs. During the year, orders of value of Rs. 95 lakhs have been received for the supply of Switch gear to Iraq, Malaysia and Ceylon, Motors for Malaysia and Iraq, Transformers to Malaysia, Tap Changer Bushings for U.K. and Switchgear Spares to Australia. It is a matter of pride that your Company won an order from Malaysia for the largest Power Transformer ever exported from this conutry. This contract includes complete erection and commissioning of the plant by Heavy Electricals (India) Limited Engineers. The order has been won against global tenders and in the face of stiff competition from European manufacturers with a background of a few generations in the export market. The British Consultants of the customer carried out a detailed inspection of the Transformer Division of your Company and were satisfied with the high standards of our design, manufacturing and testing and recommended our offer to Malaysia.

With improvement in skills and productivity, your Company will be making substantial contribution to the national export efforts in the years ahead.

Order Book :

The total value of the order book as at the end of March, 1972 stood at Rs. 214 crores. A substantial portion of this represents the orders for power plant, both hydro and thermal and for Power Transformers. In order to comply with these orders within a reasonable time, the output in all the plant departments and Transformer Division should increase substantially. Unless the backlog is cleared quickly, it will be difficult for the plant to take on further orders which are likely to flow consequent upon the advance action for the fifth Plan power programmes. In the context of acute power shortage all over the country, the State Electricity Boards and the Ministry of Irrigation & Power are accelerating the pace of power production. With the increased accent on stepping up power capacity, there is no uncertuinty about the future demand for the products manufactured at Bhopal. There is a compelling necessity to ensure optimum utilisation of the manufacturing facilities at the factory. The overall level of utilisation of the facilities in 1971-72 is of the order of 55 per cent and efforts will be made to reach optimum levels in different product-lines within the shortest possible time. Studies in this regard are in progress.

Growth of Technology :

The important factor for the successful operation of this Undertaking is the establishment and growth of technology which is extremely sophisticated and difficult to master. I am glad to reprot that, apart from the activities relating to design and development of regular product-lines, the Company will be devoting greater efforts in Research and Development.

In order to keep pace with the future requirement, the development of 400 KV Power and Instrument Transformers

which involves very specialised techniques, has been taken up. During the year, two prototype locomotives manufactured at Diesel Locomotive Works were fitted with the modified generators, built by your Company and were commissioned successfully. These are giving satisfactory service. A number of DC machines have been developed for the first time in the country. A prototype 33 kV Minimum Oil Breaker has passed all preliminary tests and is awaiting final test at the Switchgear Testing Station of Central Water & Power Commission. Its design is expected to be very competitive.

In order to take advantage of the expertise and facilities available in the various national laboratories and universities, many of these projects have been undertaken in collaboration with them for mutual benefit. Good progress has been achieved in a number of schemes. As at the end of the year, a few of the schemes have also been proposed to the National Research Development Corporation for assistance and they have shown keen interest in these projects.

Reorganisation of the Company :

On the suggestion of a high Power Action Committee, the Government of India have decided that the operation of the two major heavy electrical equipment manufacturers *viz.* Bharat Heavy Electricals Limited and your Company should be closely integrated. Towards this end, a common Chairman and Managing Director has been appointed for both the Companies, pending restructuring/merging of the two Companies.

Staff and Labour Relations :

Relations with all sections of the employees were maintained at a reasonable level and a number of issues were settled through negotiations with the Representative Union.

Acknowledgements :

Our thanks are due to the Ministry of Industrial Development, the Ministry of Irrigation and Power, the Central Water & Power Commission, the State Electricity Boards, the Indian Railways, the Indian Consortium for Power Projects Limited and several large electricity supply and industrial organisations for their patronage.

I would like to express my sense of gratitude to Shri O.S. Murthy, who retired from the Chairmanship of the Company with effect from June 30, 1972, He has piloted the affairs of the Company ably for over a year. I would also thank Shri Yuvaraj Krishan for all his guidance and the interest he took as a Director of the Company. He resigned his directorship in August consequent upon his transfer.

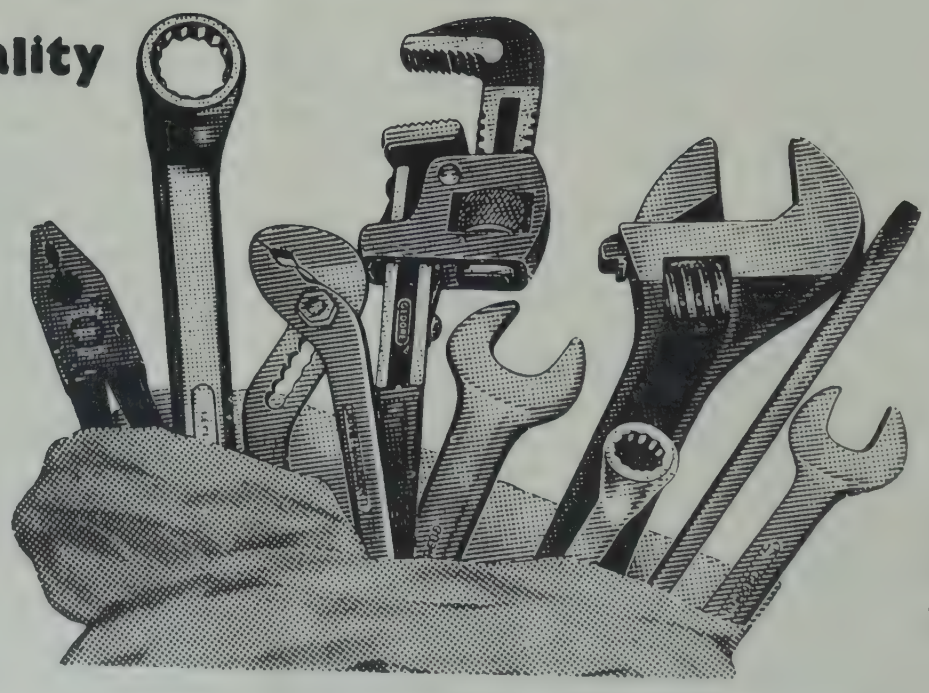
I would like to make a particular mention of the excellent contribution by Shri T.V. Parthasarathy, erstwhile Managing Director of the Company, leading to the achievements of the Company during the year. He proceeded on leave from July 1, 1972. I am also grateful for the able support and guidance given by the Directors, Sarva Sri N.J. Kamath and A.K. Ghose in the growth of the Company.

I am grateful to our loyal and dedicated employees of the plant whose co-operation contributed in no small measure to the successful performance during the year. I am confident that with the increased awareness on the part of all employees of their contribution to Nation's economy and their sustained co-operation, the Company can play an effective role in enriching the country.

(This does not purport to be record of the proceedings of the Annual General Meeting).

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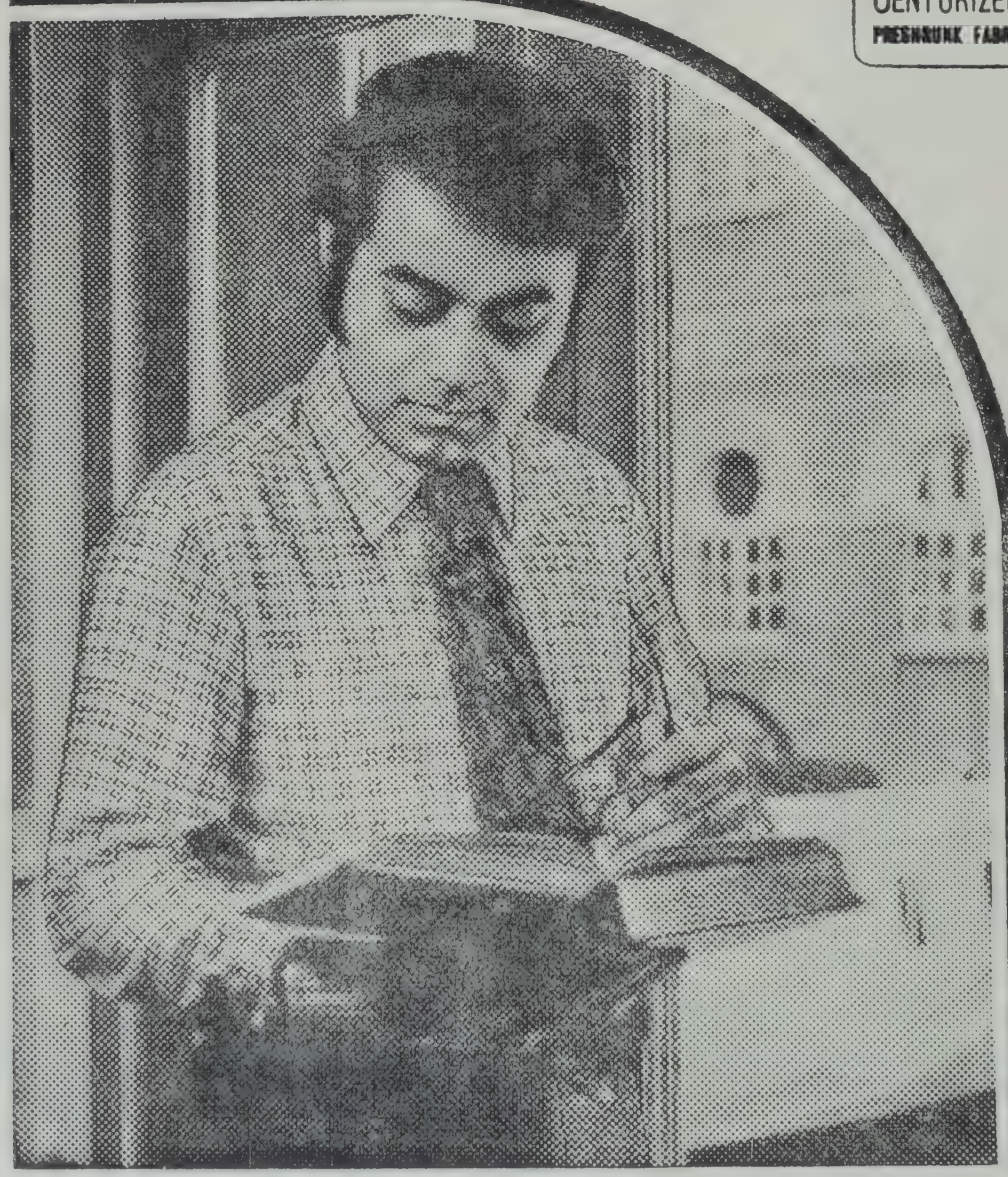
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RECORDS AND STATISTICS

Economic Policy resolution

THE CONGRESS Working Committee (CWC) finalised the Economic Policy Resolution on Thursday, October 5, 1972; it will be moved at the All India Congress Committee Session at Gandhinagar, Ahmedabad.

The resolution discusses the respective roles of the public and private sectors and recommends an integrated approach to wealth, income and wages. It makes a fervent plea to labour in the public sector enterprises particularly to assume a leading role in the country's drive towards self-reliance. It also appeals to the organised working class to create a new harmony in industry.

Slow Growth

Making a pointed reference to slow growth in the major sectors of the economy, it has focussed attention on three aspects of development. They are: (1) a higher rate of growth in agricultural production for providing food to the population and raw materials to the industry; (2) Fastest possible development of basic industries for making the national economy self-reliant in all essential industrial production ; and (3) a bold and systematic effort to raise the consumption standards of the poorest sections of the population. This is proposed to be achieved by radically modifying the existing pattern of industrial production with a view to catering for the needs of the broad masses of the people while discouraging at the same time the growth of production for luxury and unessential consumption of the richer classes.

The resolution also stresses the importance of mobilisation of resources. It has recommended a substantial increase in the rate of savings. All policy instruments are proposed to be pressed into service to ensure that there is equitable distribution of the costs of development.

Full text of the resolution approved by the Congress Working Committee is given below:—

Since the AICC met last at Delhi in June, 1972, the party, the government and the country as a whole has been giving serious consideration to the economic situation. At this session of the AICC, we seek to analyse the causes of the current difficulties in the economy, and to determine the line of action that the government and the country should follow, keeping in view the nation's accepted objectives of self-reliance and elimination of poverty.

The mid-term appraisal of the fourth Plan, and subsequent developments have indicated that the economy has been growing at a slow rate. The growth of both agricultural and industrial production has been affected by a variety of factors, including bad weather conditions and shortages of key materials. This has had an unfavourable impact on prices of essential commodities, particularly foodgrains. The rise in prices has hit hard the vulnerable sections of the population. The slow growth in economy has also worsened the employment situation.

The temporary difficulties the economy, which have been high-lighted by the rise in prices and by increasing unemployment, can be traced to the slow rate of growth of our basic industries such as steel, heavy machinery, power, fertilisers, heavy chemicals and oil, as well as to inadequacies in agricultural production in terms of intercrop balances and regional uneveness of development.

Planned Growth

In fact, the basic strategy of the five year Plans of development along socialist lines was centred on creating these fundamental growth points. Two decades of planned development, initiated under the leadership of Jawaharlal Nehru, has endowed the country with a basically resilient economy which now has the necessary infrastructure to move forward rapidly.

This was more than convincingly illustrated by the manner in which the Indian economy met the challenge posed by the influx of ten million refugees from Bangladesh and the subsequent war with Pakistan.

It is clear that the strategy outlined in the five year Plans alone can enable the country to emerge as a progressive modern society which, by virtue of its vastly expanded productive forces, will guarantee to all its citizens higher standards of material, moral and intelectual life.

Our current problems have been created by slow rates of growth in precisely those sectors which form the basis of rapid and continuously rising levels of industrial and agricultural production. Another important factor is that the benefits of the growth that has taken place have not reached large masses of the people whose consumption standards continue to remain in still very low.

In the light of this analysis, the focus of national effort for development has to be on the following:

(I) a higher rate of growth in agricultural production for providing food to the population and raw materials to the industry;

(II) Fastest possible development of basic industries for marking the national economy self-reliant in all essential industrial production;

(III) A bold and systematic effort to raise the consumption standards of the poorest sections of the population. This should be achieved, first, by radically modifying the existing pattern of industrial production with a view to catering to the needs of the broad masses of our people, while discouraging at the same time the growth of production for luxury and inessential consumption of the richer classes.

Consumption Check

Secondly, highest priority has to be given to expanding employment opportunities for millions of our people both in agriculture and in other sectors of the economy.

These priorities involve a certain logic and a certain discipline, economic and social, The AICC is convinced that a massive effort to lift our people out of their poverty will not be forthcoming unless the government, the party and the people of the country as a whole act with a sense of urgency and with determination to increase production in all spheres of the economy. The basic policies to achieve these objectives are outlined below.

For implementing a bold investment programme necessary for attaining our objectives, an allout effort has to be made to mobilise resources. We have to increase appreciably the rate of savings. All policy instruments have to be pressed into service to ensure that there is equitable distribution of the costs of development.

There can be no justification for conspicuous and inessential private and public consumption while vast masses lie in abject poverty. Further there can be no scope for a massive taxation effort to finance the rising level of public investment.

The resource base of the public sector has to be expanded to generate surpluses for investment.

In order that the process of growth does not lead to inflationary pressures, it is essential to maintain price stability. The most important factor in this context has to be the crea-

tion and successful operation of public distribution system which would at all times ensure availability of foodgrains and other essential commodities to common people at reasonable prices.

A planned economy is incompatible with periodic distortions of the price structure caused by anti-social activities of private trade in commodities used by the common people. Takeover of the wholesale trade in foodgrains by the state becomes, therefore, a task of urgent importance.

We have to proceed in this direction in a phased manner. The achievement of this objective is not easy. It will be a test of our political will. The opposition of vested interests in the food economy of India will have to be overcome in a decisive manner.

Rapid economic growth in the context of our socio-political objectives requires vigorous expansion of the public sector in industry and in other vital spheres of national economy. The basic considerations governing the industrial policy resolution of 1956 are central to our conception of the future pattern of growth.

There can be no question of modifying or abridging the principles underlying the Industrial Policy Resolution of 1956 with a view to enlarging the scope of operation of private enterprise. Within the frame of accepted social objectives, the private sector can play an important part by contributing to the maximum extent in achieving economic independence for the country.

The important thing is to utilise the resources of the private sector to the best national advantage. From this point of view the basic question is whether the private sector is conscious of its social responsibility in terms of strengthening the foundations of the independent national economy and of an expanded and efficient production. Consistent with our objective of reducing concentration of economic power, we need to remove impediments in the way of augmenting the productive capacity of our economy.

Such impediments and bottlenecks operate largely to the disadvantage of new entrepreneurs whom it is the object of our policy to encourage. Necessary institutional devices should be evolved in furtherance of this objective. The economic situation in the country demands that the private sector adopt unambiguously criteria imposed by national priorities and discard those of mere profitability in a sheltered market.

More Jobs

The pattern of industrial production must increasingly be based on the needs and aspirations of millions of our poverty-stricken people. Structural changes will be necessary to shift the emphasis in production from its present elitist orientation to mass consumption goods. This will not only permit a rise, even though modest, in the consumption standards of the poor but will also generate additional employment.

A dynamic policy in respect of industrial growth cannot succeed without harmonious industrial relations. The AICC is distressed at the current trends prevailing in industrial relations. We would earnestly appeal to the organised working class, which has made a notable contribution to India's onward march, to play its historic role in creating a new harmony in industry, especially in the public sector.

Unless the working class, conscious of its responsibility for improving productivity in the public sector enterprises, assumes a leading role in the country's drive towards self-reliance, we cannot move forward purposefully towards the realisation of a socialist economy. The workers are not in our conception, merely wage earners. They are, in fact, the main architects of our public sector up to control the commanding heights of the economy.

At the same time, we would urge the government to place the industrial relations in the matrix of an integrated wealth, income and wage policy. It is necessary to continue our efforts at achieving the participation of workers in the management of industrial undertakings. Implementation of this concept will, in course of time, lead to a socialist transformation of the relations of production in industry. Unfortunately the multiplicity of the unions has become a serious impediment in achieving this objective.

Vigorous efforts have to be launched for promoting exports. We need to examine on a priority basis whether our policies in relation to export promotion are adequate considering our needs as well as the bottlenecks. Exporting industries should be made more competitive. The pull of the vast domestic market has to be curbed through suitable fiscal and administrative devices. Corresponding to a concerted effort to promote exports, a detailed industry by industry programme of import substitution should be given priority in implementations on a time-bound basis.

Reallocations

It is against this broad policy framework that the problem of various sectors of national economy should be identified in order to maximise production. The AICC would urge the government to undertake immediately a comprehensive review of the sectoral programme in agriculture, industry, power and irrigation, and transport to see whether we cannot, through various adjustments and re-allocations, give priority to projects which can be completed quickly and which can provide the necessary momentum for increased productivity.

A bold and imaginative approach is needed for establishing additional capacity in the shortest possible time in the fields of steel, power, fertilisers, oil exploration and refining and non-ferrous metals so that the long-term outlook for industrial production can undergo a marked improvement.

A combination of research, extension and price policies has to be brought into play to increase production of foodgrains and of vitally needed commodities like oil seeds, cotton, pulses, sugarcane and jute. Highest importance has to be attached to evolving a new approach in financial and organisational terms, towards overcoming stagnation in agricultural production in backward areas.

The AICC welcomes the decision to implement land reforms speedily. The time limit fixed for enacting legislation in the matter, i.e. Dec. 31, 1972, must be firmly adhered to. A realistic time-bound programme must be framed immediately for the distribution of surplus land. Rational policies, with adequate administrative and institutional support, have to be formed to provide the beneficiaries of land reforms with needed inputs and credit to put the land to most productive use.

The schemes already initiated for helping small and marginal farmers need to be implemented vigorously. In this context, it is important to dispel the misconception in certain quarters that only large farms can contribute to greater output. The basic fact of our agrarian economy is that it is composed of millions of small farms. Unless the creative energy of millions of middle and small farmers, and of landless agriculture labour are released for the modernisation of agriculture, no real breakthrough in productivity can be achieved.

The land reforms legislation will provide the social basis for a creative transformation of agricultural economy. The process will gather momentum only if a broader framework of institutional support to small farms, based on the concept of area development, is set up. Then the package of services and in puts including vitally needed credit, can flow to the small man in the countryside whose contribution to agricultural growth will be decisive in the years to come.

The rising trend of unemployment, both in rural and urban areas, is a matter for serious concern. The policy measures outlined above would create substantial openings for productive employment. However, in view of the magnitude of the problem, the AICC would suggest that large-scale programme be undertaken immediately, in addition to those that are already being executed, to create substantial

employment opportunities for educated youth.

Structural Change

The strategy of faster growth in industry and in agriculture requires a basic change in our administrative structure. Our procedures are anchored in an era of leisurely activity. A modern economy and an antiquated administrative structure go ill together.

The AICC urges the government to devote immediate attention to this problem with a view to evolving an administrative structure which would, at all levels, respond to the challenges of the situation. These considerations apply with equal force to the management of public sector undertakings. The achievements of the public sector are undeniable but the compulsions of national economy dictate a substantial and visible improvement in its performance.

It is clear that tasks of such magnitude cannot be accomplished without the wholehearted and sustained involvement of the people at all levels in activities designed to increase production to cutwaste and secure wide spread acceptance of the values of a socialist society. The Congress, as the chosen instrument of the people, has to shoulder the responsibility for organising the participation of the people in such activities.

The AICC, having taken into account the long-term perspective of economic and social development, would urge the government to concentrate attention on the following urgently needed measures:

(i) Price stability must be ensured by organising a public distribution system which would make available to the vulnerable sections of our society selected essential commodities of daily use at reasonable prices. This would involve the take-over of the wholesale trade in foodgrains by the State.

(ii) Immediate steps must be taken to provide increased employment opportunities to the educated youth. Economic policy must also consciously aim at creation of larger opportunities for employment in both rural and urban sectors.

Utilisation

(iii) A policy frame must be evolved for a continued improvement in agricultural production as well as for its better distribution.

(iv) Highest priority in industrial development should be given to the fullest utilisation of existing capacity and to the creation of new capacity in basic industries for implementing a time-long programme of self-reliance. Industrial policy and its various regulatory instruments should be made to subserve the two basic objectives of achieving self-reliance and of expanding production of mass consumption goods. The role of the private sector should be consistent with this scheme of national priorities.

(v) Policies for reducing concentration of economic power and for reducing social and economic inequalities should continue to be implemented with vigour. The most significant steps in this direction would have to be the expansion of public sector and curbing of economic power by monopolies which is prejudicial to social objectives.

(vi) Harmonious industrial relations should become the cornerstone of the new national policy towards industrial production.

(vii) Policy, management and administration should be geared at all levels to increase production. Special emphasis should be laid on speedy comepletion of projects on hand, specially in areas like power, irrigation and fertilisers. Special attention must be directed to the inaccessible hill and tribal areas. Performance must be the sole criterion for evaluating the worth of individuals and institutions.

(viii) Appropriate institutions and organisations have to be created to mobilise the people at various levels in order to secure their enthusiastic participation in the accomplishment of the social and economic tasks the nation has set before itself.

Party's Role

The party has to equip itself for a new role in the implementation of the broad social, political and economic objectives of the nation. It has to be cast in a new mould to create and to energise a myriad points of contact, at all levels of the party with the people on the one hand, and with the instruments of governance on the other.

The party must not be content with a ritualistic endorsement of government policy from time to time; it has to play a vital role in the forging of instruments which will concentrate people's will and energies on the task of social reconstruction.

The AICC has the fullest confidence that under the leadership of Mrs Indira Gandhi, the government and the country as a whole would put forth the dedicated and disciplined effort required to achieve the goals of eradicating poverty and achieving self-reliance.

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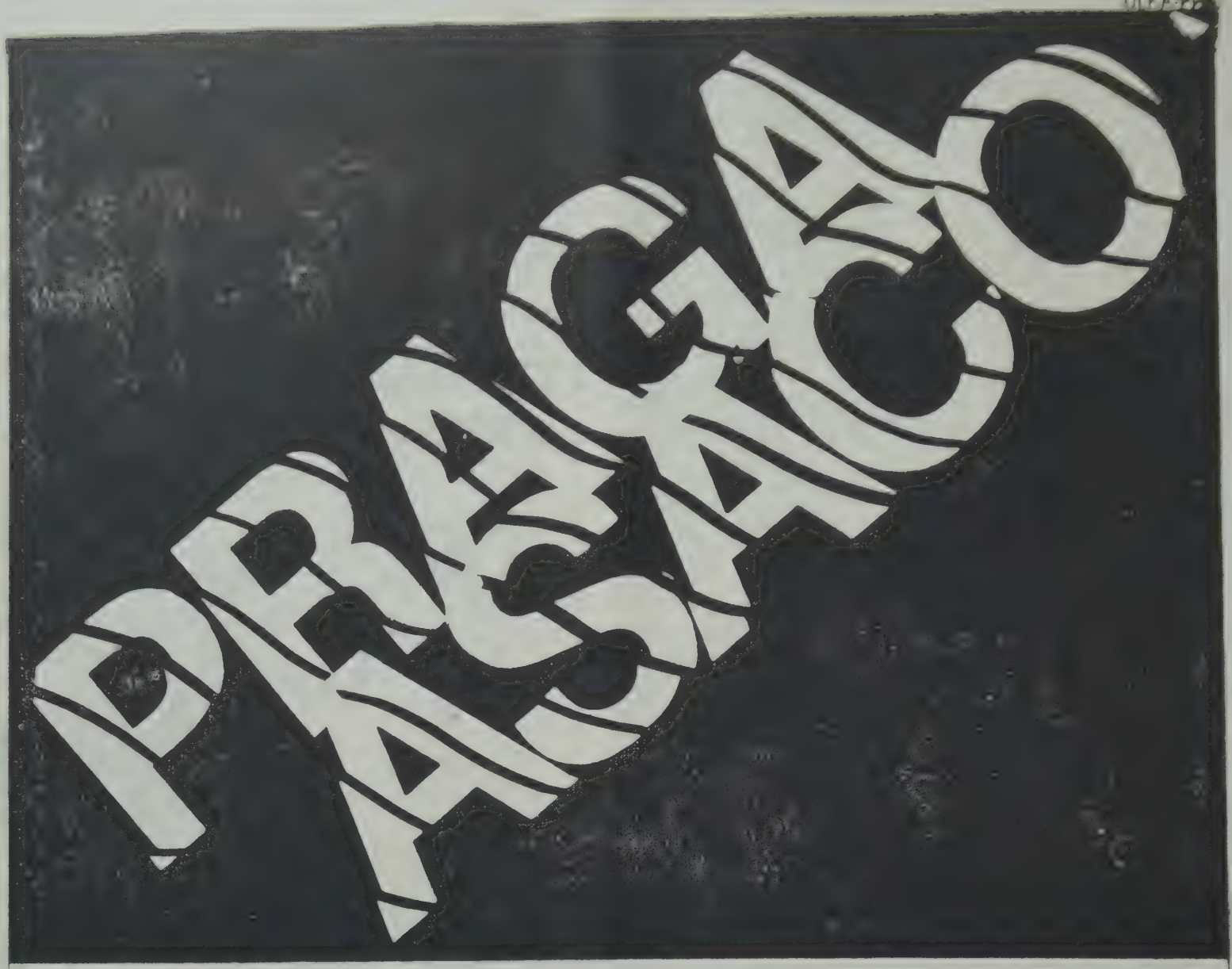
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IDBI: substantial rise in assistance

THE YEAR ended June 1972 witnessed a substantial increase in the assistance sanctioned by the Industrial Development Bank of India, as well as in its utilisation by the assisted concerns, according to the Eighth Annual Report of the Bank. The total assistance sanctioned (excluding guarantee) during the year was Rs 168.0 crores in respect of 2,290 applications, against Rs 131.3 crores in respect of 1,636 applications in 1970-71, representing a rise of 28 per cent. The assistance utilised was higher at Rs 94.5 crores, against Rs 79.8 crores. The increase in the assistance sanctioned was accounted for mainly by direct assistance to industry (+Rs 21.2 crores), refinance of industrial loans (+Rs 6.1 crores) and rediscounting of machinery bills (+Rs 16.8 crores). Direct loans for exports were also higher by Rs 8.0 crores, while refinance of export credits declined by Rs 10.4 crores.

The following table compares the total assistance sanctioned and utilised in 1971-72 with that in 1970-71 and gives the totals of assistance sanctioned and utilised since the IDBI commenced its operations eight years ago and upto the end of June 1972:

On a rough estimate, the IDBI was responsible for financing 13 per cent of the gross fixed investment in the private corporate sector of industry and 17 per cent of the total exports of engineering goods during the year 1971-72. The percentage of IDBI's assistance for export of engineering goods would be much higher if transactions involving deferred payments alone were taken into account.

Major Projects Assisted

The 37 projects covering 56 applications to which direct assistance was sanctioned by the IDBI during 1971-72 included 23 projects for establishing new capacities or expanding existing capacities, 10 projects for relieving the strain on financial position of companies and/or for meeting the overrrun in project costs, and four projects relating to modernisation, diversification and rehabilitation. Among the new projects assisted, eight were in the 'Core' sector of industries — the fertiliser projects of Southern Petro-Chemicals Industries Corporation and Mangalore Chemicals & Fertilizers, the tractor manufzcturing project of Punjab Tractors, and five projects for manufacture of steel and alloy steels. The other important projects for which the IDBI provided assistance during the year 1971-72 included the major programme of replacement, modernisation and diversification undertaken by the Tata Iron and Steel Company, the diversification scheme of Vardhman Spg. & Wvg. Mills for manufacture of steel ingots, and the rehabilitation schemes of Ashok Paper Mills and Standard Motor Products of India.

The IDBI continued its policy of encouraging technician-sponsored projects. It took the initiative in arranging for finance required by three technician-entrepreneur projects of Globe Steerings for manufacture of automative steering gears, Regal Papers for high gloss cast coated paper, and Indian Dairy Entrepreneurs Agricultural Company. The IDBI also sanctioned loan assistance of Rs 1.8 crores for financing the Rs 10 crore expansion project of Travancore Cochin Chemicals Ltd. a Kerala Government concern.

Steps have been taken to ensure active participation in the management of assisted industrial concerns which are the recipients of substantial assistance from term-financing institutions. As at the end of June 1972, nominee directors had been appointed on the Boards of 44 assisted concerns.

IDBI: Accounts

The total income earned by the Bank increased by 23 percent to Rs 15.9 crores during the year 1971-72, while total expenditure rose by 29 per cent to Rs 12.3 crores. Of the total profit of Rs 3.6 crores, a sum of Rs 2.3 crores was transferred to the Reserve Fund and Rs 1.3 crores to the Reserve Bank of India. The Development Assistance Fund showed a profit of Rs 87 lakhs. The profit in the General Fund would have been more but for the fact that a sizeable portion of assistance under export finance and refinance to small-scale industries was at concessional rates of interest varying between 3½ per cent and 5½ per cent as against the IDBI borrowing rate of six per cent.

IDBI: Resources

Although the net outgo of funds during 1971-72 was larger than in the earlier years, the IDBI did not, by and large, experience any resources constraint because of larger borrowings from the Reserve Bank and the market and the large repayments from borrowers.

Contribution to Output Employment and Exports

During the eight years of its operations, the IDBI has sanctioned direct assistance (other than for exports) aggregating Rs 262.3 crores to 167 industrial projects promoted by 159 companies. This assistance has helped to create and is expected to create substantial capacities in the strategic and vital sectors of the economy such as fertilisers, alloy steel, basic industrial chemicals, non-ferrous metals and cement. The IDBI's contribution will be significant if it is related to the additional or new capacity that has been is being created since its inception in 1964, instead of to the total capacity in the country.

Total Assistance Sanctioned and Utilised in 1970-71 and 1971-72

(Rs crores)

	Assistance Sanctioned			Assistance Utilised		
	1970-71	1971-72	July 1964-June 1972	1970-71	1971-72	July 1964-June 1972
Direct loans to industrial concerns (other than for exports)	40.7	51.3	194.2	4.9	9.6	99.2
Under writing of and direct subscription to shares and debentures of industria concerns	4.0	14.6	41.3	3.7	1.8	21.4
Refinance of Industrial loans	24.5	30.6	151.8	21.2	24.0	142.1
Rediscounting of bills	28.5	45.3	135.2	24.3	38.3	115.3
Total	97.7	141.8	522.4	54.2	73.7	378.1
Direct loans for exports	11.3	19.3	48.4	12.0	10.2	25.1
Refinance of export credits	13.7	3.3	27.2	9.9	4.8	21.4
Subscriptions to shares and bonds of Financial institutions	8.6	3.7	36.6	3.8	5.8	33.9
Grand Total	131.5	168.0	634.7	79.8	94.5	458.5
Guarantees (including export guarantees)	3.7	0.1	28.7			

Of the 159 companies directly assisted, 125 companies have drawn and are utilising the assistance; 96 companies were in production in 1970 and 101 companies in 1971, others being new companies whose projects are still in the construction stage. Excluding six companies in respect of which data are not readily available, 90 companies contributed Rs 676 crores in terms of value of output to industrial production in the country in 1970 and 95 companies contributed Rs 797 crores in 1971. Their contribution to government revenue (in the form of taxes and excise duty) was Rs 71.48 crores in 1970 and Rs 91.24 crores in 1971. They provided employment to about 137,000 persons in 1970 and 143,000 persons in 1971. The export earnings of the assisted companies amounted to Rs 22 crores in 1970 and Rs 20 crores in 1971.

New Initiatives

In the initial years, the IDBI's role was more in the nature of an apex institution and a co-ordinator of institutional activities in the field of industrial development. But 1970 and 1971 were years of consolidation and new initiatives. As part of the process of consolidation, the IDBI's structural-functional set up has been strengthened. With a view to developing live and intimate contacts with the economic situation and potentialities of the different regions of the country, the IDBI has opened regional and branch offices at various places. It has also sharpened its criteria relating to project selection and established close contacts with international organisations such as the International Bank for Reconstruction and Development (IBRD), United Nations Industrial Development Organization (UNIDO) and the Asian Development Bank (ADB). With the experience gained in the application of these criteria, that is, internal rate of return and the implicit exchange rate, the IDBI has now decided to apply them for cases of refinance assistance and export proposals. It is inducing banks and state Financial Corporations to adopt the criteria in their own appraisals also.

In regard to promotional functions, the IDBI Report indicates the awareness of the limitations of financial and fiscal incentives alone in promoting industrial development in the backward areas. It is considered essential to undertake considerable amount of project work involving identification of project ideas, preparation of preliminary feasibility studies, search for managerial and entrepreneurial talents, preparation of detailed project reports, managerial, technical and financial assistance for project implementation.

Identification

For identifying specific project ideas, the IDBI initiated in 1970 surveys of industrial possibilities in backward states. During 1969-70 and 1970-71, such surveys were completed for Assam, Arunachal Pradesh, Bihar, Jammu & Kashmir, Madhya Pradesh, Manipur, Nagaland, Orissa, Rajasthan, Tripura and Uttar Pradesh. The surveys relating to Chandigarh, Goa, Daman and Diu (including Dadra and Nagar Haveli), Himachal Pradesh and Pondicherry were completed during 1971-72. The survey of Andhra Pradesh is currently being undertaken. Surveys of Andaman and Nicobar Islands Laccadive, Amindivi and Minicoy Islands will be taken up shortly. Survey reports on Bihar, Assam, Arunachal Pradesh, Jammu and Kashmir and Tripura have already been printed. The other reports are to be published soon. Surveys of some districts (Trivandrum, Mysore, Purulia and the 'subsidy tract' of Rayalaseema) have been carried out.

The survey report for each concerned state is to be discussed with the officials/representatives of the state government, state-level financial institutions and other industrial interests for the selection of project ideas that seem *prima facie* viable. Such discussions have already taken place in Assam, Jammu & Kashmir, Bihar and Orissa.

The IDBI, with the assistance of other term-lending institutions, has already arranged for the preliminary feasibility studies of some project ideas identified by the study teams for Assam, Arunachal Pradesh, Bihar and Tripura. The search for potential entrepreneurs is engaging the attention of the IDBI and has suggested a suitable entrepreneurial and managerial training programme for potential entrepreneurs.

In order to facilitate the work relating to the various facets of project cycle and also to identify project ideas on a continuing basis, the idea of an inter-Institutional Group at the state level has been adopted. Such groups, comprising the all-India term-financing institutions, state-level institutions like SFC, SIDC and the concerned 'lead' banks, have already been formed in Kerala, Andhra Pradesh, Jammu and Kashmir, Assam, Bihar, Orissa, West Bengal and Uttar Pradesh. To further facilitate the above work relating to project identification and preparation of feasibility reports, the IDBI has taken the initiative in establishing a Technical Consultancy Service Centre (TCSC) in Kerala called the Kerala Industrial & Technical Consultancy Organiation (KITCO). It is envisaged that such Technical Consultancy Service Centres would also be started in some other places. With a view to overcoming the constraint relating to managerial talent, the IDBI is exploring the possibility of inducing industrial houses and the lead banks to make available managerial/entrepreneurial talents for identifying and implementing project complexes in districts which have perceptible impact on employment, living standards, nutrition and incomes.

Outlook and Prospects

As for the outlook and prospects for 1972-73, the Report observes:

"From the point of view of development potential, the Indian economy had never before been in as favourable a position as it is now. A diversified structure of industry has been built up, design and engineering skills learnt, and entrepreneurial, managerial and technical abilities have grown over the years. There is a substantial under-utilisation of productive capacity in the industrial sector — capcity that can sustain a growth rate in industrial sector of 8-10 per cent per year even without much addition to capacity.

"Now that the financial institutions have undertaken a more active catalytic role in the development process, it is likely that a number of viable projects, identified by them would come up for implementation. To facilitate their task there is need for an expeditious and effective machinery for obtaining various government clearances as also a pragmatic approach with regard to the utilisation of entrepreneurial managerial talents for the implementation of sound projects particularly in backward areas. It would be indeed a waste of resources, from the economy's point of view, if the talents available with the present business houses are not channellised for the development of backward areas.

"Along with the term-lending institutions, the banks and the state level institutions, are also members of the Inter-Institutional Goups formed at the state level at the initiative of the IDBI and they would also be participants in KITCO type of organisations to be set up in the other states. The lead role of the banks in their districts would thus be properly co-ordinated with the promotional role of the other institutions and thus it is likely that a number of viable projects in different fields and of various sizes would be identified and linked to potential entrepreneurs. This activity has already gained momentum in some states and its pace would quicken in the next few years. Thus, from the point of view of financial institutions and from the point of view of the IDBI, there is likely to be a substantial step-up in the assistance required for promoting various types of projects.

"Anyway, without taking into account this possible rise in the rate of investment, even on the basis of assistance sanctioned by the term-lending institutions during the last two years, their operations are likely to record considerable expansion during 1972-73."

Seminar on power development

THE FEDERATION of Indian Chambers of Commerce and Industry (FICCI) had organised on September 8-9, 1972, a seminar in the capital on power development. The FICCI had prepared a special background paper for discussion at the seminar; this paper was printed in *Eastern Economist* dated September 8, 1972 (pages 580-584).

The discussions at the seminar brought out the central point, namely, almost all the states and every sector of the economy had been experiencing acute power shortage and of varying intensity and the situation was becoming grave. Consequently the industries in the country were not working throughout the week and even on working days, there were both planned and unplanned cuts in supply.

Relief to Industries

The seminar made a number of recommendations to the government for providing relief to industries in this regard. The recommendations touch upon power planning, generation, transmission, distribution and tariffs. A summary of the discussions as prepared by the secretariat of the FICCI is given below:

The address of the FICCI President, Mr Madanmohan Mangaldas, and the Inaugural speech of the Minister for Irrigation and Power, Dr K.L. Rao, highlighted the power shortages and the potentials of power development. The participation in the seminar was fully representative of government, Planning Commission, electricity undertakings, manufacturers of equipment, and users of power in both public and private sectors. The seminar divided itself into three technical sessions to consider problems relating to shortages of power, power generation, transmission and distribution and electricity tariffs.

Acute Shortages

Almost all the states and every sector of the economy have been experiencing acute power shortages of varying intensity. The situation is grave. The cuts in electricity supply are severe. In quite a few states, industries are not working throughout the week. Even during the working days, there are both planned and unplanned cuts in supply. Industry is compelled to lay off workers. At a time when there are programmes of faster economic development, even the existing capacities have to remain unutilised. There is great national wastage. The consequences are manifold and constitute a serious threat to orderly progress.

The discussions in the seminar covered in depth the various aspects of the problem. While there are many difficulties which a developing economy like ours has to face, the main problem is human failure. The procedures under which projects have been approved and implemented have contributed to the present crisis. There are other root causes such as shortfall in the establishment of capacity, inadequate utilisation of capacity arising from technical defaults and heavy transmission losses of the order of 18 per cent or more. The immediate reasons can be traced to the failure of monsoon, interruptions in the movement of coal, and limitations on imports of items even though they are not readily available indigenously.

The fortunes of industry as much as agriculture have now come to depend upon the monsoons. Power shortage has highlighted the adverse impact it can have on the industrial and agricultural operations, and, therefore, how necessary it is to plan for supplies of power from sources other than hydel. The recent action taken by the authorities in some states of imposing power cuts has led to considerable loss in national production. Not only such action has been initiated without prior consultations with the consumers, they have also been exposed to the rigours of penalty.

The seminar noted with concern that, according to the data furnished by government spokesmen, the unsatisfactory supply position would continue for at least another two years, if not more. At the same time government is planning to increase installed capacity for the fifth five-year Plan by 21.8 million kW including the spillover from the fourth Plan. The whole position, the seminar felt, should be viewed not only with a sense of great urgency, but also in relation to the programmes of hastening agricultural and industrial development so as to provide larger employment opportunities.

The seminar mad following recommendations:

Urgent Immediate Measures

Poor maintenance of equipment is mainly responsible for the interruptions in the supply of power. The position can be met only if a Task Force consisting of best maintenance engineers drawn from both public and private sectors are given specific responsibility for visiting the most important stations and taking all measures for improving maintenance on the spot. The Task Force should have full authority to act and should work within a time-bound programme so that losses to industry and agriculture could be minimised during the dry season.

Many of the thermal plants are not able to operate to full capacity due to inadequacy of supply of coal. Large stocks of coal are available at pit-heads but wagons for moving coal are not made available. The Ministry of Irrigation and Power should arrange a meeting urgently of the representatives of the Railway Board and large thermal power stations to identify the problem and to find solutions so that movement of coal can be fully organised within two months. This meeting should also address itself to the question of ensuring production and supply of appropriate grade and quality of coal to the thermal plants.

The Prime Minister and the cabinet as whole should be seized of the situation. Unless effective steps are taken on a war-footing and the supply of power is at least maintained, industrial and agricultural production may be further adversely affected and the poisition may deteriorate to a law and order problem.

Power Planning

Forecasting of demand and assessment of generating capacity of projects must be made on a scientific basis.

Power planning must be for a longer period than the conventional five year term.

To the extent possible, the addition to the supply must be continuous.

There must be simultaneous forward planning by the different concerned authorities such as Electricity Boards, CWPC, Technical Advisory Committee, Planning Commission, Coal Board, indigenous manufacturers of equipment and government. Each should not wait for the clearance from the other, particularly because the substance and detail of the power projects have been accepted in principle and also outlined.

Availability of existing fuel resources must be carefully assessed and possibility of using alternative fuels must be explored.

Power Generation

Power is a high investment industry and it must be efficiently utilised.

Uncertainty in the minds of private electricity undertakings following reports about nationalisation must be removed so that they may plan on a long-term basis. There is no advantage in disturbing the management of efficiently ope-

rated electricity undertakings

Industry must be allowed to set up generating plants for their own use. To facilitate such installation government must allow development rebate (or similar allowance in lieu of development rebate) and such generation of power should be free from levies of any kind. It should be economical if industrial undertakings are allowed to generate power as a by-product by installing back-pressure turbines which are available at a comparatively lower cost.

While the indigenous manufacturing capacity should be fully utilised, imports should be allowed as a stop-gap arrangement and a choice between self-reliance and faster growth has to be made on a realistic basis.

The standard of maintenance equipment must be improved through training programmes at all levels.

Transmission and Distributior

Currently the 18 per cent loss in transmission adds up to a high figure of 3 to 4 million kW. It is regrettable that future planning implicitly assumes this loss. One per cent reduction in transmission loss would mean a saving of Rs 5 crores a year. Therefore, every effort should be made to ensure that the transmission loss is minimised.

Fluctuations in voltage can be corrected at source by installing suitable equipment. Otherwise the consumer is compelled to make additional infructuous investment.

The regional boards should keep a closer watch on the progress of projects, so that timely help can be rendered to each other in emergencies. In addition, the agreements between states for supply of power should be made on a long-term basis and on simple terms. This will prove to be mutually advantageous than entering into protracted negotiations in times of emergency.

Progress in respect of establishing regional and national grids has to be expedited.

As the supply of power is expected to be short, its distribution must be carefully made and it should not be wasted merely for its demonstrative effect.

Electricity Tariff

Power tariff policy has to be reconciled to the claims of diverse classes of consumers, their special needs and capacity to pay on the one hand, and economic running of supply undertakings on the other.

The cost of generation and transmission has been going up. It is incumbent on the supply undertakings to improve management and increase efficiency.

The consumer is subject to an automatic increase in the burden of the duty tax or cess. This practice should be ended. There is no justification for continuing the levy on self-generated power.

While consumers have to pay penalties for wrong use of electricity there are no penalties on suppliers for fluctuations in voltage, interruptions, etc. This anomaly should be removed.

The Rating Committees set up under the Electricity (Supply) Act must be activised and the independent reviews of tariffs undertaken by them should be readily accepted by state governments. Consumers also should be associated with rate fixation.

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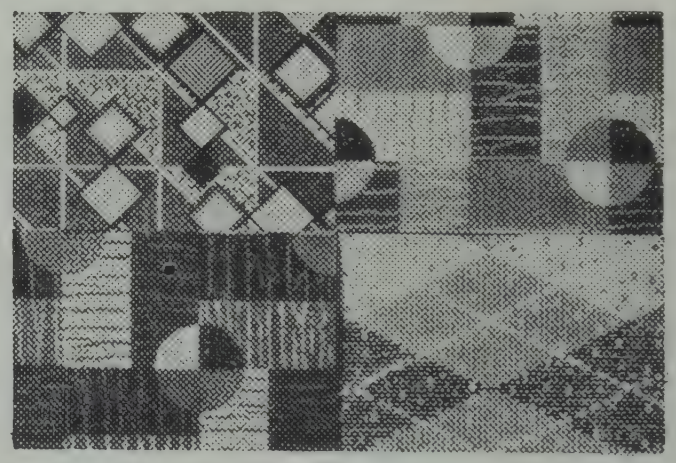
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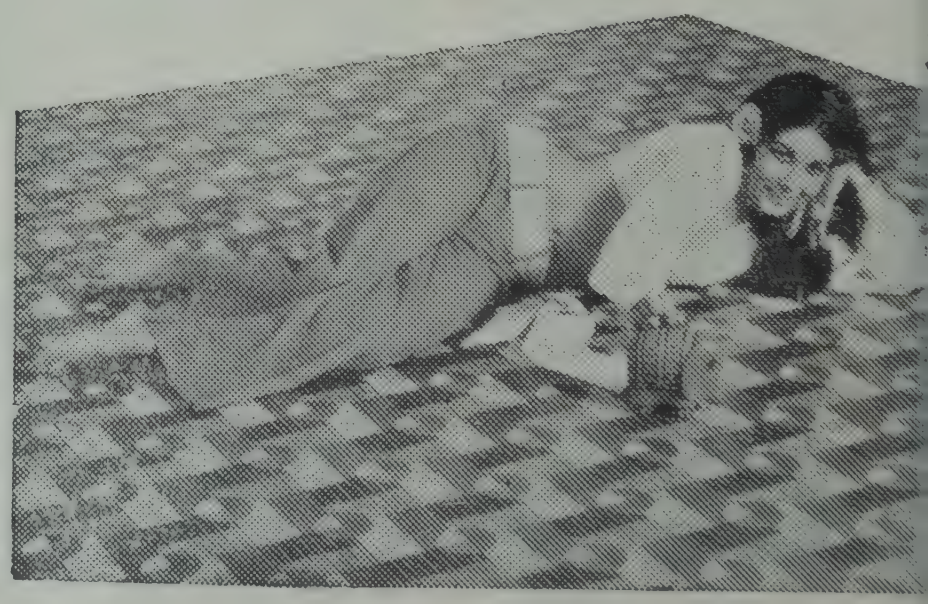
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The resurrection of a resolution

THE PRIME Minister's assertion to the contrary not withstanding, it is quite clear that the government and, more particularly, the ministers in charge of the key economic ministries are still groping for a clear concept of a philosophy and a policy for industry which would promote adequate development fast enough. As is so often the case in such situations the debate in the AICC on this issue took a form which was not altogether relevant to the basic issue. Mr D. P. Dhar and Mr C. Subramaniam, between themselves, managed to make it appear as if the economic future of the country depended on what happened or was done to the government of India's Industrial Policy Resolution of 1956. The framers of that document no doubt believed that they had performed an important task. But even they could not have imagined what grand significance was going to be given to it in the year of grace 1972.

For some time now it has been increasingly obvious that the things have not been going very well in the industrial sphere and that the government therefore must come out with new ideas or develop new attitudes or perhaps act differently if production is to pick up or investment gather momentum. Various people, whether within the government or outside have been spelling out their own respective prescriptions for improvement. The Minister for Industrial Development Mr Subramaniam, for his part, has been saying that the Industrial Policy Resolution of 1956 may have to be re-examined and perhaps recast in terms of the changed situation. While he had so far not presented his views formally or in detail, he has created a general impression that he is in favour of a more substantial role being given to what has been described as the joint sector in establishing industries particularly those classified as forming the core of development. Although he has still to dot the i's or cross the t's of such definite proposal as he may have, at least so far as public knowledge is concerned it seems to have been assumed in some quarters that his thinking is in the general direction of more scope or opportunities being provided to the private sector and especially the large business houses to participate in the development of high priority industries. Whether this understanding or interpretation accurately reflects his thinking or not, he is perhaps as much to blame as anybody else for such misunderstanding as there may be. Mr Subramaniam who has been making too many observations of too general a nature should have come out with a precise and fairly complete statement of definite proposals.

Meanwhile certain elements in the ruling party seem to have found here an opening for the kind of polemics on which they have been thriving. The cry has been raised that this party or the government is in danger of being manoeuvred into going back on its radical commitments. The pressures thus generated in party politics have apparently found Mr D. P. Dhar on the defensive. Besides declaring that the government has not taken any policy decisions on the role of the joint sector he has also found it necessary to say that no deviation from the Industrial Policy Resolution of 1956 is being contemplated and that the government would continue to swear by it—a declaration of faith which incidentally provoked Mr Subramaniam to ask since when even the Holy scriptures had become too sacred to be emended even if not amended.

Irony apart, it is rather too late in the day to claim that the Industrial Policy Resolution of 1956 or any similar government document must necessarily remain inviolate for ever. The party to which Mr D. P. Dhar belongs has made it clear that it is in favour of even the Constitution being amended as and when the public interest demands it. The Planning Minister, therefore was certainly not strengthening his credibility when he chose to decorate this Resolution with such an artificial aura. The dogmatism of this attitude, however, was not its only fault. Is Mr Dhar aware at all that he is more than slightly behind the times? To say that the Industrial Policy Resolution of 1956 must remain the last word on the subject is to be clearly quixotic for, as a matter of fact, this Resolution has been substantially modified in practice out of sheer necessity.

It is necessary to mention only two instances. The Resolution had said that all expansion in the fertilizer or aluminium industries should be reserved for the public sector. When, however, it was found in the sixties that there would not be adequate development in these vital areas if this stipulation was rigidly adhered to, the government of the day took the wise decision to invite or even encourage private enterprise to enter the field. It may be as easy to argue that this modification violated the spirit of the Resolution of 1956 as it would be to plead that it did not transgress its letter. The point is that even in 1956, the Resolution was meant to be implemented with flexibility and with the aid of commonsense and it is possible that Mr Subramaniam's point of view is that there has by now been so much of this flexibility in the application of the principles announced in 1956 that, as a matter of practical

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convenience, the lessons of this flexible approach should be incorporated in a formal statement.

At the same time it should not be difficult to agree with Mr D. P. Dhar that it is not very important that a new industrial policy resolution should be substituted for the old—if this indeed is his view. Resolutions by themselves do not increase production or induce investment. On the contrary, when they threaten to provide the take-off point for sterile political controversies they lose their possible utility as tools for clarifying thinking or streamlining action. The ruling party and the government should therefore avoid time-consuming or otherwise frustrating debates on the Resolution of 1956. It would be better for the country if the matter is dropped and the government makes up its mind to get on with the job.

It is here that what Mr R. Venkataraman, who was Minister for Industries for quite a few years in what was then Madras state (as it was called then) and later a member of the Planning Commission and who, at least in his earlier capacity had contributed not insignificantly to industrial growth, had to say recently at a meeting of the Rotary Club in Madras could be a useful pointer to constructive action. According to him, the industrial policies pursued by the government of India since 1967 are responsible for not only the shortage of goods and the services in the country during the last five years, but also the stagnation of industrial growth and the consequent loss of employment and the aggravation of mass poverty. This is a proposition which Mr Dhar should be able to go along with at least part of the way; Mr Dhar himself believes that all the sins of commission and omission in industrial policy had been committed up to the time of the split in the Congress but not later. Any how Mr Venkataraman is convinced that unless things are done differently hereafter India will have to reconcile itself to the position of a third-rate industrial economy in Asia.

As he sees it, we should not waste time over the Industrial Policy Resolution of 1956, but rather concern ourselves with the damage done by the manner in which the Industries Development and Regulation Act has been worked. Although this Act had served a useful purpose in the initial stages of industrial development by facilitating the diversification and dispersal of industries, Mr Venkataraman believes that its unimaginative application in subsquent years has led to the restriction of industrial growth. A country's economy progresses only when genuine entrepreneurial talent is properly mobilized and sufficiently encouraged to organize industries which could meet the growing requirements of the people. No country would grow if it is condemned to struggle endlessly with shortages. Mr Venkataraman believes that the time has come for a complete review and reappraisal of the Industries Development and Regulation Act and decide how many industries could be freed from its tyranny.

The Swaminathan Committee had advocated quite some time ago the delicensing of all the consumer goods industries and on the basis of that report some 44 industries were de-licenced. In the fourth Plan, it was recommended that industries which did not require any foreign exchange either for capital goods or raw materials, should be completely freed from control or regulation or licensing. The only issue with which the government ought to be concerned is the regulation of foreign exchange which is scarce. Even here, according to Mr R. Venkataraman, if an entrepreneur or a business is able to earn foreign exchange for the capital needs of expansion or for importing spare parts, no objection should be raised or difficulties created. Even in the case of heavy industry, although a certain measure of regulation may be unavoidable any restriction maintained without sufficient reason would only promote stagnation and cause deterioration of the industrial economy.

Mr Venkataraman holds that the Constitutional provision that economic resources should be deployed in such a way that it does not lead to any concentration of wealth to the detriment of the welfare of the people has been wholly distorted to bring about changes in licensing which have proved harmful to the nation. In his view if the government really wants to prevent concentration of wealth, the proper enforcement of existing taxation measures should bring about the desired result. By misusing industrial licensing the government is only preventing the expansion of the large industrial houses without any advantages accruing to the nation. These business houses have the necessary expertise and managerial talent to start new industries and organize them properly, and it is not, wise patriotism to come in their way. It is possible that, much better than Mr Dhar or Mr Subramaniam, Mr Venkataraman has been able to grasp where changes are needed in governmental attitudes and how they should be brought about. It will not make a big difference if the Industrial Policy Resolution of 1956 is not revised just as it will not make any difference at all if the Prime Minister and her colleagues were to take a solemn oath tomorrow in reaffirmation of it. The real problem is that the government's industrial policy has ceased to be promotional and has become propagandist. Regulation has taken precedence over development and in the process the purpose of regulation itself has been lost sight of. The processing of decisions or their implementation, has become elaborately and most wastefully bureaucratised. Irrelevant and meaningless procedures are eating into the time, energy and other resources of the nation. The actual taking of the decisions themselves are being distorted by ideological prejudices, political inhibitions or demagogic considerations. It therefore comes down to this that what the country needs now is neither the

Eastern Economist 25 Years Ago

OCTOBER 24, 1947

That there is a definite food shortage in the country nobody can deny. This shortage can be made up by one or both of two ways — increased production and increased imports. As for the first, we at least entertain no illusions of marked expansion in the short period; consequently, we are not inclined to agree with the view that imports can be substantially reduced in the next year or two, or even that attempts if necessary, at securing a larger amount of import should not be made. The nation has been very inadequately fed all these years since 1942-43 and this is a very alarming state of affairs for a people, a large part of whom has not been eating enough even in normal years. The view has been often expressed that the prevailing unrest and a general attitude of lassitude and aversion to work in the world of labour is due largely to the chronic undernourishment of the working population on which has been superimposed the strain of hurried pace of war work. This suggestion ought to be taken more seriously than it has been hitherto and for our part we have no doubt that a scientific sociological survey, of cross sections of the labouring population, agricultural and industrial, will show that it is the cumulative effect of malnutrition over a period of years that is reflected in the low output, the high rate of absenteeism, the tendency to down tools, which are working havoc with our production levels today. Viewed in this light, increased imports of food seem to be fundamental, if a physical as well as a psychological breakdown of the working population is to be avoided. To speak, therefore, of drain on foreign exchange in such a context seems to betray a lack of a sense of proportion. First things come first, or ought to.

affirmation of an ancient testament of faith or enunciation of a new charter of good intentions. What is necessary is simply that the debris should be removed and a path cleared for the economy. Fortunately, this is something that can be done without politicians raising controversies which feed on themselves, or staging endless political debates which almost always become a substitute for government action. But there must be the will to do this.

IFC: conversion poses new challenges

JUSTIFIABLE SATISFACTION was expressed by Mr C.D. Khanna, Chairman, Industrial Finance Corporation of India (IFC), with the working of the corporation in its 24th year ending on June 30, 1972. The IFC earned gross income of the order of Rs 14.98 crores with paid-up capital at Rs 9.17 crores and reserves at Rs 16.02 crores. Moreover, for the second year in succession, the corporation declared a dividend of five per cent per annum, the highest permissible under the IFC Act. Undoubtedly the resources available to the corporation have been managed efficiently and it has played a useful role in the promotion of industries both in the corporate and co-operative sectors. In the corporate sector, only the public limited companies are entitled to draw financial assistance from the IFC though the corporation has already requested the government to amend its articles of association so as to enable it to provide financial assistance to private limited companies as well.

In spite of the creditable performance of the IFC, certain professional witch-hunters have apparently not been able to resist the temptation of sniping at it for providing assistance to what are commonly described as "big business houses". Even *The Economic Times* must treat itself to the excitment of the headline. "IFC aid : large houses get lion's share". According to the Chairman of the IFC, only 35.5 per cent of the corporation's loan assistance went to big business houses during the past 24 years. It is not clear how roughly one-third of the total assistance granted by the IFC to big business houses can be described as "lion's share". A fitting reply to critics was given by the chairman of the IFC himself when he said that the corporation took the grant of industrial licence by the government to a business house as indicative of the fact that it could advance loans to it if the project was economically viable in the view of the experts of the corporation.

The most desirable test of fruitful exploitation of resources at the disposal of the IFC is to study the type of industries which have been set up through assistance provided by it. The funds made available by the corporation to business houses—big and small—resulted in the establishment of such industries as fertilisers, iron and steel, paper, electrical machinery, chemicals, automobile, tyres, synthetic fibres, automobile ancillary metal products, glass, cotton textiles and sugar—not one of which can be described as an unessential industry. The number of cotton textile mills which sought assistance from the IFC is as high as 93 and many of them belong to big business houses. Similarly a very large number of chemicals projects, metal products, electrical equipment and others run by big business houses have sought assistance from this corporation and it will be wrong to describe this activity of the corporation as not in the national interest.

The delailed policy guidelines issued by the government in February 1970 to the IFC and other financial institutions in regard to financial assistance extended by them to industrial projects are supposed to increase the "degree of participation in management, particularly at policy levels, in the case of major projects". The new element in this policy is the stipulation of "a condition for option to convert rupee loans given and debenture holdings in future, into equity within a specified period of time". While the financial institutions have been given discretionary powers for negotiating conversion of loans granted in the past especially in cases of default, firm instructions have been given for normally stipulating "a condition for option to convert a portion of the loan into equity in all cases where the aggregate financial assistance exceeds Rs 50 lakhs". In cases of financial assistance ranging between Rs 25 lakhs and Rs 50 lakhs, the financial institutions have been asked to use their discretion. Where the aggregate financial assistance is below Rs 25 lakhs, the condition for conversion of a part of the loan into equity is not to be insisted upon "as a measure of policy" unless the institutions decide to adopt the other course on commercial grounds.

It may be recalled that hitherto no conversion from loans to equity was sought as the primary function of the financial institutions including the IFC was to provide industrial loans for setting up units for which development finance could not be had from banks. If the IFC and other similar institutions had not thought of converting loans into equity capital in earlier years it was for some solid reasons. First, it could not be forecast with certainty that each and every project financed by them would turn out to be profitable. Second, gestation period for many industries ranged from three to five years implying that if the IFC and similar government institutions subscribed to the equity capital of new projects, they would have been left with zero return on capital invested for these periods which might have thrown their financial operations out of gear.

Last year, the IFC stipulated the condition for conversion of loan into equity at the option of the corporation in respect of 35 projects out of a total of 67 to which sanctions for assistance were made. It means that that the IFC is not making indiscriminate use of the new option allowed to it and is led by the guidelines described above. One of the concerns declined to avail of the facility offered to it by the IFC while agreement on new lines were finalised in 10 cases; the remaining 25 cases are in the process of finalisation. In opting for conversion the IFC has to take into consideration a number of factors such as the nature of the industry, gestation period of the project, debt-equity ratio, profit potential and prospects of expansion. Thus, the IFC today, is no longer a purely credit organisation; it has taken upon itself the role of a partner in the fortunes of some of those industrial projects which it helps to finance.

Because the level of profits earned by the IFC is creditable in relation of its equity capital as well as net worth, it has now acquired sufficient scope for taking risks. That is why it has recently started giving increasing patronage to projects set up in backward regions. Also, the official policy in this regard has changed and the IFC and other financial institution have been urged to encourags the installation of industrial units in backward regions. Last year, the IFC extended financial assistance to 67 industrial projects, out of which 17 were located in districts which have been notified by the government as industrially less developed. They would receive a little more than one-third of the total funds sanctioned during the year. The total estimated cost of these 17 projects will be around Rs 190 crores. Thus the IFC has already started playing a significant part in the industrialisation of backward areas in in the country.

As a financial institution, the IFC has given a good account of itself during

the past 24 years. Its vast promotional effort in the field of industrial development has gone hand in hand with sound management of its finances and it is therefore in a postion to mobilse funds effectively from the market for augmeting its resources. The IFC has entered the market with a bond issue of Rs 10 crores. This should assist the IFC in reducing its borrowing from the central government even while strengthening its revenue position.

On the plantations

THE RECENT annual meeting of the United Planters Association of southern India held at Coonoor was unique in the sense that the estate-owners did not voice their usual grievences and represent that there should be further tax concessions or liberal subsidies for replantation programmes. The Association's President, Mr A. D. Peacock, on the other hand, emphasised that those in the management of plantations should join the mainstream and make a better contribution to the development of the economy. The UPASI is actually carrying out welfare schemes on a selective basis so that they can be copied by others and amenities were extended to workers over and above those provided under labour legislation. Some pilot projects are also being carried out for helping small growers to improve their earnings and productivity.

The secretariat of the apex organisation representing planters has however, drawn pointed attention to the difficulties that may be experienced in maintaining the growth rate in production of the past one-and a half decade unless there was extension of the area under different crops and suitable financial assistance for including replantation programmes. The tea estates have to replant areas where over-aged bushes are not giving the proper yield or quality and the situation prevailing in Kerala particularly is not considered quite encouraging for planning on a long term basis.

The tea Industry, however, has the compulsion to raise its output on a defined basis as internal consumption may tend to increase sharply in the coming years with a spread of the tea drinking habit and rising incomes. No precise estimate about the actual consumption is available. But it has been pointed out that the retention out of the crop in the last two years has been 224 million kg annually and it was possible to meet a larger internal demand in the face of higher exports only by drawing down internal stocks. Thus, the output of north Indian estates in 1971 increased by 11.7 million kg to 330.5 million kg while exports rose to 163.9 million kg from 154.8 million kg. In the southern region the output increased by only 1.1 million kg to 101.8 million kg; but exports were much higher at 43.3 million kg against 40.8 million kg. There were larger exports from this region to Sudan, Saudi Arabia and other countries. It will thus be seen that against the aggregate increase in production in the past year by 12.8 million kg, exports rose by 11.6 million kg indicating that nearly the whole of the increase in production was diverted for export purposes. In the first seven months of the current year also exports have maintained the upward trend though average prices secured were slightly lower than those obtained in the corresponding period in 1971.

If the inprovement in exports continues to be in evidence even with a reduced off-take by Britain and USA there may have to be a faster increase in internal production if a sharp rise in prices at the internal auctions is to be avoided or a reduction in the export surplus is to be prevented. The average growth rate has been usually 3 per cent annually and it has so far been possible to meet the needs of the home and export markets without difficulty. But the estates in Kerala wand Tamil Nadu will have to raise their share of all-India output if they have to play their due role in the tea economy. Unfortunately labour unrest, uncertainities about the future of tea estates in Kerala particularly, and delays in completing replantation programmes have been responsible for the rather slow increase in production. The tea Industry has to take note of the new trends in consumption in the home market and make special efforts to increase the area under the crop and productivity if foreign exchange earnings through tea exports have to be maintained at satisfactory levels.

A similar situation is also developing in the coffee Industry though the freakish bumper crop of 1970-71 created fears for a time that unmanageable surpluses may have to be carried over for some years. With record exports of around 47,000 tonnes and a big increase in internal consumption, there was a carry over of only 20,000 tonnes from this crop into the 1971-72 season. As there was a big decline in output by over 30,000 tonnes to 69,000 tonnes in this season, it has been possible so far to maintain exports at the desired level and feed also the internal market adequately, only by utilising the earlier surplus. With the prospects of achieving an output of over 85,000 tonnes in 1972-73, there may not be any scarcity. It is, however, necessary to even out fluctuations in yield and bring about also a higher average rate of growth. In order to be in a position to raise further exports and popularise also coffee consumption. This can be done only if there was an extension in area under the crop and the small growers also were helped to improved productivity.

It is in respect of rubber, however, that a ticklish situation has emerged. Against the earlier fears that the country would be obliged to import synthetic and natural rubber for 10 to 15,000 tonnes annually, in the past two years, the producers of natural rubber have been finding it difficult to market their output fully inspite of a complete ban on imports. The buffer stock operations of the State Trading Corporation have not been successful and even now open market prices are considerably below the statutory minimum rates fixed by the central government. The Indian Rubber Board has been accusing the Kerala government of inaction and even failure to purchase sizable quantities of rubber ininspite of the fact that the central government has provided it with necessary funds. It has even suggested that for a time there should be subsidised rubber exports of about 10,000 tonnes.

This proposal is not, however, being pursued vigorously. Instead, it has been proposed, that there should be stockpile operation for the next two or three years and the Indian Rubber Board too should create a pool of 15 to 20,000 tonnes in order to prevent distrust selling. The difficulty in absorbing current production has arisen because of a slower growth in consumption of the tyre producers in spite of the implementation of expansion schemes. There has also been no significant increase in the off-take of rubber by other manufacturers because of the use of plastics for various purposes for which rubber was the basic raw material until recently. The position may get corrected in the next two years with a continued stoppage of imports. In fact the Deputy Minister for Foreign Trade, Mr A.C. George, is of the opinion that there should not be any discouragement to the programme of replantation on account of the recent development and there should even be an increase in the subsidy to Rs 5,300 per hectare from the existing quantum of Rs 2471 per hectare. It is indeed a matter for gratification that the country is now earning large sums through exports of Tea and Coffee and the amount spent previously on rubber imports have been fully saved.

While efforts are being made to increase non-traditional exports and reduce the dependence on staple exports, it looks as if the latter will continue to make a valuable contribution to total earnings and it may well happen that the plantation industries will be in a position to account for a share of nearly 20 per cent of total exports. The problems of the plantation industries have, therefore to be intelligently tackled if only to avoid a significant reduction in export surpluses.

Sails ahoy

IT WAS another year of all-round progress and achievement for Indian shipping generally and the Shipping Corporation of India (SCI) in particular. As its Chairman and Managing Director, Mr C.P. Srivastava, had brought out in his address to shareholders at the twenty-second annual general meeting of the Corporation, held in Bombay recently. Judged by any normal standard for assessing the working of a shipping company — earnings, profit, self-generated growth, tonnage owned or new tonnage ordered — the SCI has fared very well indeed in 1971-72. Doubts are, however, being expressed whether the same good fortune as has uninterruptedly been the lot of the SCI from 1961 onwards would continue in the context of the prevailing all round uncertainty—international monetary upheavals, decline in movement of high-freighted cargoes from the USA, adverse effects due to competetion from synthetics on exports of jute, falling off in exports of iron scrap and oil cakes to Japan and sharp decline in freight rates, among others — but, despite this, the SCI Board and its chairman are so robustly optimistic, and not unjustifiably, that they feel convinced "there can be no let-up in the efforts towards expansion of Indian Shipping". If the goal is to reach adequate tonnage to carry atleast 50 per cent of the country's foreign trade, there can be no let-up in these efforts.

In the first place, even though Indian shipping tonnage has expanded over the last ten years from 1.0 million grt in 1961 to 2.5 million grt in 1971, it is still only about one per cent of the total world shipping, a share which it has just managed to retain (and not improve upon) for several years now. And even with the sizeable addition proposed of 1.15 million dwt, to raise it to 3.5 million dwt by 1975-which is a mere 0.2 per cent of the total tonnage on order — it seems evident the country would find it difficult to continue to maintain even the bare one per cent of the total world shipping tonnage. By 1980, it is estimated, the world tonnage would go up to some 650 million dwt. According to the recommendations of the UNCTAD III, the developing countries are to own atleast 10 per cent of this tonnage or 65 million dwt, as against their present 25 million dwt. If only because of this, India, along with other developing countries, would have to make a really massive effort. Thanks to a number of favourable factors so far, India has found it possible to put forth such effort. The first of these factors has been the loan of US $83 million which the SCI got from the IDA last year. It is worth noting that, apart from being the largest loan sanctioned by the World Bank group for shipping this loan is also the first loan for shipping sanctioned by the IDA. Secondly, the SCI has successfully managed to build up its self-generated resources, which aggregated, as on March 31, 1972, Rs 79.66 crores, almost as much as the amount of total loans it has secured from the Shipping Development Fund and some banks as on the same date.

Following the receipt of the IDA Loan, the SCI could place orders for four tankers of 87,500 dwt each and two product carriers of 24,114 dwt each. This would mean an addition of about four lakh dwt and all of this, it is noteworthy, would be tankers in which the country is admittedly deficient. This is in pursuance of the prudent policy of growth with diversification that the SCI has been pursuing. The bulk of the tonnage on order consists of tankers and bulk carriers which constitute 52·1 per cent and 34.5 per cent, respectively, of the tonnage on firm order. Incidentally, the orders for 17 ships comprising 7.36 lakh dwt is the biggest tonnage ordered during any single year so far by the Corporation. According to Mr Srivastava, the SCI would like to go beyond the five-million dwt — mark by the end of 1979-80. The Corporation has already prepared plans for further development of its fleet both for the rest of the current Plan period as well as for the fifth five-year Plan, and these are believed to include "a substantial expansion of tanker fleet with a view to transport crude oil to India, to meet the needs of oil refineries in the public and private sectors and also to exploit the possibilities of participation in cross-trading". (By the way, even as these lines appear in print, according to Mr Srivastava, one tanker would be in Iraq to brring 35,000 tonnes of crude from there.

Any one who has had occasion to read the latest speeches of chairman of different Indian shipping companies is bound to ask whether the SCI Chairman is not unduly optimistic to be planning ahead almost nonchalantly thus. But, perhaps anticipating this, he has added a significant caveat, it must be remembered, in his address. After referring to all the bold plans, be said: "But all these are likely to be impared greatly as a result of the withdrawal or curtailment of incentives which were available to Indian shipping industry till recently". (He was evidently referring to the vexed issue of withdrawal of development rebate). He also raised some hope in the minds of Indian shipping interests by disclosing that "the matter is now under the active consideration of the government of India and it is my earnest hope that the final decision on these issues, instead of coming in the way of accelerated expansion of Indian shipping, would promote and stimulate the effort."

Another problem that has been exercising the minds of the Indian shipping industry, and this is something that concerns also the economy of the country as a whole, in that it involves our invisible exports by way of earning or saving of foreign exchange) by our shipping companies, which are being called upon to expend more on services overseas. The Directors, Report of the SCI has listed developments leading to this, which include the hike in cargo handling costs in the USA due to the substantial retro-active revision of wages following the prolonged strike of longshoremen in the USA, the sizeable rise in stevedoring expenses in Australia and the sharp increase in cargo handling costs in the UK ports in the wake of the dockworkers' strike of July August last. As Mr K.K. Birla, Chairman of India Steamship Company, observed recently when he presided over the last annual meeting of that company, these are factors over which neither the Indian shipping companies (nor, the government of India) for the matter have any control. Since what cannot be cured must be endured.

It is to the credit of Indian shipping companies, and more so the SCI, operating as it does, a net work of world-wide services, that they have been able to face and overcome these challenges so far. As Mr Srivastava mentioned in his speech, the SCI was particularly fortunate, in that it had chartered most of its vessels in advance, taking advantage of the then prevailing freight rates, but the position does not seem as promising this year because of the several adverse developments and, in particular the drastic dropping down in the freight rate—as witness the drop in freight rate for oil carried in tankers from West Asian Gulf to Rotterdam from $ 28 per tonne in October, 1970 to $2.3 per tonne by April, 1972 and the fall in the dry cargo freight rate for coal from Hampton Roads to Japan from $ 13 per tonne in September 1970 to about $ 3.5 per tonne in May, 1972.

Considered in the context of these trends, Mr K.K. Birla's questioning of the

decision of the government to withdraw the facility of development rebate from the first of June 1974 seems topical and relevant. While it is true that the shipping companies have been faring well lately, it still remains a real problem for this highly capital-intensive industry to generate sufficient internal resources for its further development. The Planning Minister has emphasised the need for heavy investments in the core sector of the economy in the coming years and since shipping comes very much within the hard core of the infra-structure for growth it may well be wise on the part of the government to reconsider its decision on the development rebate in the light of the need for more funds to be ploughed into the acquisition of additional tonnage. It is obvious that shipping still continues to be a priority industry entitled to all possible encouragement, including fiscal.

What prospects for Indian goods in USA ?

ADDRESSING A gathering of industrialists in Calcutta some time ago, Prof. Johan Howard Lindauer a noted American economist, forcast spectacular increases in the near future in Indian exports to the USA. Prof. Lindauer who is Professor of Economics, Claremont Men's College and Graduate School, California, said that when the United States began to climb out of its present stagnation and severe recession. Indian export sales to that country were going to rise "very dramatically-far more than is being estimated at the present time by Indian planners and Indian firms with export sales orientation". He predicted a dynamic growth in the US economy in the months ahead and added, sooner or later, I think we are going to run far ahead of the other nations. When such an expansion in the US economy occurs, India and all the exporting nations are going to participate in a huge sales increase, and such an increase in sales is absolutely necessary for the USA to discover."

But Prof. Lindauer did not go into the details of the problem. He did not analyse what specific Indian goods had scope for large sales in the USA. Nor did he suggest what measures should Indian businessmen adopt in order to take advantage of the opportunities that are going to arise in the USA. It is quite possible that the US economy may revive without producing a favourable and sizable impact on Indian exports.

It is true that the latest available US statistics reveal an encouraging performance of Indian exports. In May 1972 US imports from India reached $42.5 million and increase of 52 per cent over that of May 1971. This was mainly due to the increase in the imports of woven fabrics of jute and shell fish from $10.61 million in May 1971 to $17.87 million in June 1972 and from $1.35 million to $6.05 million, respectively.

But in considering the prospects of Indian exports to the USA, we have to realise that our goods have to face increasing competition from many developing and developed countries. For example, as a result of the devaluation of Pakistani rupee in May 1972, (when its exchange rate in terms of the dollar was revised from Rs 4.76 to Rs 11), its exports to the USA faced better prospects than those of India.

The USA's imports of cotton piecegoods from India in the first tne months of 1972 were 11.92 million compared to 9.13 million from Pakistan. Its imports of hand-woven carpets from India in the same period were valued at 2.52 million against $ 10.7 million from Pakistan. The shares of India and Pakistan in the USA's imports of frozen shrimp were valued at $12.84 million and $ 1.40 million respectively during this period. It remains to be seen to what extent Pakistan will be able to compete with India in these items in the USA. Trade circles in New York seem to think that, so far as cotton textiles are concerned, Pakistani exporters are likely to raise their prices to earn more rather than to quote below Indian prices, As regards carpets, Pakistani competition does not seemlikely to be been since they are of a different style and appeaance from those of India while in respect of frozen shrimp, the availability of supply from Pakistan is much less than that of India.

India's other main exports to the USA have been cashew kernel, walnuts, coffee and tea, leather and jute goods. To what extent will the export of these items pick up will depend on several factors like the availability of supplies from India as well as the nature of competition from other countries. A great deal will, of course, depend on how far we are able to step up our export of jute goods. The US demand is mainly for such items as carpet backing cloth, hessian cloth, sacking cloth, jute bagging for raw cotton, hessian bags, and sacking bags. In 1970-71, India exported to the USA carpet backing cloth for Rs 51 crores, hessian cloth for Rs 20 crores, jute bagging for raw cotton nearly Rs six crores, hessian bags for Rs 18 lakhs and sacking bags for Rs 11 lakhs. The US consumption of hessian in June, 1972 touched 27.5 million yards, the lowest in the past 30 years, bringing the total for the first six months of 1972 to 199.7 million yards. This represents a fall of 21 per cent from the 1971 level of 250.6 million yards and 57 per cent from 465.7 million yards in the first half of 1966. In the similar months of 1967, 1968, 1969 and 1970, the consumption of hessian stood at 403.5 million yards, 398.1 million yards, 344.1 million yards, and 323.2 million yards respectively. The fact that at the end of June 1972, stocks of hessian stood at 118.6 million yards gives some idea of the fall in consumption. Besides, the revival of competition from Bangladesh will make it difficult for the Indian jute industry to maintain its exports at the level of the previous year.

Meanwhile, the Trade Development Authority, set up by the government of India, has been attempting to introduce into the USA many non-traditional goods. It is reported that the TDA proposes to step up the export of 18 selected products from $10 million in 1970-71 to 70 million in 1974-75. The total US imports of these 18 commodities into the USA were valued at $285 million in 1970. There is certainly a great scope for exporting traditional and non-traditional goods to the USA. Our success will depend largely on our ability to generate adequate surpluses and sell them at fair prices in competition with Japan, China and other countries. But, ultimately, we shall be able to step up our dollar earnings substantially only by concentrating on the export of our traditional products.

Indo-US Trade Trend

(in Million $)

	1972		1971	
	May	Jan.—May	May	Jan.—May
1. US imports from India	42.5	187.7	21.0	130.3
2. Total US imports	4722.2	22271.4	3840.6	18250.7
3. US exports to India	21.7	157.0	78.3	302.5
4. Total US Exports	4195.5	20172.4	3970.4	12065.6
5. India's Balance of Trade (1) minus (3)	+20.8	+30.7	—50.3	—172.2


She is wearing
179·5 seconds
of our fine achievement
If you think it's only a yarn
you're darned right.
It takes a mighty powerful
microscope to see the filament in
the 30-denier Viscose rayon yarn.
Which is one way
to show it's mighty fine.
Another is the fact that the yarn
goes into some of the finest,
lightest chiffon flitting around the
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Reclamation, Bombay 20.

IDBI does well, promises more

R. V. Murthy

THAT THERE should continue to be some stray bright patches even in an otherwise unpromising environment is about the most reassuring feature of India's economy today. One of these, undoubtedly is the performance of our term-lending institutions. Not only have these institutions, starting from the apex body — the IDBI- downwards, fare well in 1971-72, they are also confident of improving upon this performance in the current year. It is so gratifying to hear the Vice-Chairman of the IDBI, Mr V.V. Chari, declare, as he did at a news conference recently, that "there is likely to be a substantial step-up in the assistance required for promoting various types of projects in the industrial sector".

record expansion

Even without taking into account this possible rise in the rate of investment, it is the considered view of the IDBI spokesmen that the operations of these institutions "are likely to record considerable, expansion during 1972-73", this optimism is based on assistance already sanctioned by the Bank during the last two years. This apart, as a result of the more active catalytic role in the development process undertaken by the financial institutions, several viable projects already identified by them are also likely to come up for implementation. In other words, as the latest annual report of the IDBI puts it, "from the point of view of development potential, the Indian economy has never before been in as favourable a position as it is today." The substantial under-utilisation of capcity in the industrial sector alone can sustain a growth rate of 8-10 per cent per year in our industrial sector, even without much addition to capacity.

Uninhibited as it is by either ideological or political pressures, the IDBI has done well clearly to indicate what needs to be done to take the maximum advantage of this development potential. "To facilitate this task", the Report states, for example, "there is a need for an expeditious and effective machinery for obtaining various government clearances, as also a pragmatic approach with regard to the utilisation of entrepreneurial/managerial talents for the implementation of sound projects particularly in backward areas". One cannot but endorse the Board's view in this context that "it would be a waste of resources from the economy's point of view if the talents available with the present business houses are not channelised for the development of backward areas for supporting new entrepreneurs and for the promotion of exports".

The IDBI has displayed a similar approach in its reference to the question of development rebate, in as much as it is convinced that "to improve the investment climate from a longer term point of view we would require such active and pragmatic economic policies as are consistent with the Plan objectives and industrial growth". It is noteworthy that the Directors of the Board are as keen as the authorities are in so far as the Plan objectives and industrial growth are concerned. This explains their concern as to the effect of the proposed withdrawal of the development rebate from end-May, 1974. According to the IDBI this is "a measure which did provide a substantial incentive so far for a rapid rise in investment in new and expansion projects as well as replacement projects. Development rebate enabled these projects to plough back their profits, reduce their reliance on outside resources, improve the rate of return and accumulate adequate funds for replacement of machinery, the price of which had been rising and for which depreciation provision was not adequate."

considered verdict

Here is the considered verdict on development rebate by one who has had to deal with tax problems for years, a verdict that can not be effectively challenged by anyone. But like the Shipping Corporation of India Chairman, Mr Chari too has had to content himself with merely stressing the good features of a measure of incentive that is unfortunately sought to be withdrawn. As for the effects of such a withdrawal, the Board has pointed out that term lending institutions would have to provide larger assistance for investment purposes and that the period of repayment of these loans by the borrowers would be lengthened. If both these could be avoided, and there is great need to do so at the present juncture just by continuing the development rebate prudence demands that the union Finance Minister should reconsider his earlier decision.

role and functions

Now that the stage of evolution of the role and functions of the IDBI is past and the process of consolidation and exploration has begun, attention must centre hereafter more and more on the results achieved by the institution. During the year 1971-72, for example, the IDBI extended the areas for co-ordination and followed it up by effecting a workable division of responsibilities. Thus the work of project ideas identified through the surveys and initiation of promotional activities is to be shared among the IDBI, the IFCI and the ICICI, but the overall supervision and guidance would be the responsibility of the IDBI. The next

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development is to bring about co-ordination of the activities of State Industrial Development Corporations *inter se* and with those of the IDBI, and a Working Group set up to study this has already completed its work and begun formulating its proposals in this behalf. Similar co-ordination of functions of various institutions concerned with providing term credits for exports is being done by two groups set up by the IDBI. In all this work of co-ordination, what is significant is that the proposed co-ordination machinery is in line with the relevant recommendation (No. 230) of the Banking Commission.

Another notable work of the IDBI is the streamlining of its structural functioning. Up to July 1, 1972, 13 offices (regional and branch) had been set up "to develop live and intimate contacts with the economic situation and potentialities of the different regions of the country". It is needless to say how important this work is when the official policy stress is on development of backward areas.

yeoman service

Among others, the IDBI has been doing a yeoman service in the field of project profiles and project studies. The IDBI is soon to bring out a manual for project work. The time is indeed ripe for crystallising the Bank's approach, methods and criteria relating to project work and, even more, for making all this information known to all the terms lending institutions, including banks which are also asked to involve themselves in this kind of activity. This apart, the IDBI has been appointing so many committees and working groups to study a variety of subjects that one can easily lose count of them, but when the results of all these studies are codified and made available, terms lending institutions would have such ready access to all the required data that they should not find any difficulty in disposing of proposals for assistance expeditiously.

An interesting feature of the IDBI Report is the portion dealing with some details concerning the projects assisted by the Bank. Apart from useful information regarding the IDBI's contribution to creation of additional capacities, especially in certain strategic and vital sectors, and the contribution to industrial production and employment, the particulars regarding gestation lags and cost overruns are revealing. There were delays in respect of as many as 36 out of the 89 projects assisted by the IDBI, and the delays ranged from 12 to 48 months generally.

causes for delay

Projects of a capital-intensive nature, such as paper, chemicals and basic metals, took a longer time to reah the stage of completion. It would have been useful had the Report also given the causs for these delays, so that the public could judge how many of them were avoidable and how many not avoidable. Delays may be caused by a number of causes, some within control and some not so. In any case, delays add to the overall cost of a project and the cases of over-run—amounting to as much as 25 per cent of the original capital cost — suffered by the projects aided by the IDBI are possibly victims of such delays atleast to some extent. But there are cases like the classic example of a proposed aluminium project being forced to raise its capital outlay inordinately by the sudden decision of the Bharat Heavy Electricals taking into its head to revise its original quotation sharply, taking advantage of the escalation clause in the concerned contract. It is not known whether, as a result, this aluminium project would at all come up eventually.

It is perhaps worth sounding a note of caution here, especially to our public sector undertakings and state electricity boards. Wielding the whiphand, they may raise their rates indisciminately, perhaps to keep pace with their daily rising overheads, in particular, wages, bonuses, allowances, etc. Whatever might have been and however laudable the considerations that prompted most of our public sector undertakings to spend excessively large sums of moneys on posh living quarters and huge townships for the benefit of their staff, the fact is that all these have gone to swell the overheads unconscionably, with the result that several of these undertakings, even after being commissioned, are not able to make both ends meet, let alone contribute any sizeable revenue to the central exchequer as was visualised by the planners.

This is a highly unsatisfactory state of affairs and some students of finance who have given serious thought to this aspect of the matter feel the time has come for a thorough reappraisal of the costs allocations so as to demarcate what may be called social overheads and write them off as revenue expenditure in order that our public sector undertakings may be able to present a more presentable state of their financial position and begin soon to show profits and thereby benefit the exchequer.



A census profile of world agriculture

T. V. Sivaraman

THE CHANGES that are taking place in modern agriculture are as important as the growth of population in every country. This has been recognised by world bodies and the decennial farm censuses undertaken since 1930 have become part of a global strategy to help agricultural planning.

India, as a member of the FAO, launched a detailed farm census costing around three crores rupees early in July last year and the results of the enumeration — covering over five lakh villages in the country, — are expected to be ready by the end of 1973.

Although the 1970 census is already under way in many countries, an international comparison of the results of the 1960 census are available only recently. Although the findings relate to the last decade, they are interesting especially at a time when the farm front in India is stirred by the new enthusiasm for reforms and the persistent threat of lowering the land ceilings.

vast project

The data for the last world census, taken around 1960, was collected from more than 50 million land holders. The large variety of conditions under which farming is carried on and holdings operated around the world, the differences, in classification, summarisation and publication of data, have contributed to inaccuracies. Re-enumeration checks have amply proved that the census was incomplete. For example in six countries counting of holdings was incomplete by 2 to 23 per cent, counting of land area of the holdings by 2 to 9 per cent and total cultivated land by 3 to 12 per cent.

However, it is claimed that these discrepancies do not impair significantly the usefulness of the census, in as much as it it gives reasonably reliable data on crops, animals, type of agricultural operations, pattern of agricultural production, use of science and new technology, land tenure, holdings etc. It is significant that these figures comprise the only data available in case most of the countries for analytical description of the various aspects of their agriculture.

The census was taken in 83 countries but in as many as 34 countries, including India, the sampling method was used instead of full enumeration. While some countries made the census a comprehensive inquiry into all aspects of agriculture, others limited the collection of data to a minimum number of items.

major activity

In the large majority of the 83 countries agriculture constitutes the most important economic activity. There were 140.1 million holdings of all sizes and kinds— ranging from 0.1 hectare to 100,000 hectares —operated by individuals, companies, collectives, tribal groups and governments. Although it is difficult to compare the number of holdings in the 83 countries due to variation in the definition of holding, the smallness of holdings is an outstanding feature of agriculture all over the world. Almost 80 per cent of the holdings of less than five hectares and at least one half of the holdings contain less than a hectare.

Nearly 70 per cent of the total holdings were in 18 Asian countries, 15 per cent in 17 European countries and the rest in Africa, and the two Americas. India had more than a third of the total number of holdings in the 83 countries. The Indian sub-continent and Indonesia together accounted for more than half of all holdings.

The available figures on size distribution indicate that 80 per cent of the holdings of less than one hectare were in Asia. Over a third of all holdings in India, Indonesia, Japan, Republic of Korea, Malaysia, Pakistan (and Bangladesh), Madagascar and UAR were small.

The total area of holdings in the 83 countries measuring 2472 million hectares was only 20 per cent of the world's land area of almost 13,500 million hectares. More than half of this was located in 25 countries of the Western hemisphere. The largest areas in agricultural holdings were in Australia and the United States, the two countries together accounting for 37 per cent of the total. Argentina, Brazil, India and Mexcio each had more than 100 million hectares of land in agricultural holdings.

Much of the land outside agricultural holdings is considered unfit for growing crops or for use as pasture. Yet, there are large areas of land outside agricultural holdings that are used for agricultural purposes. For example in the USA there were 129 million hectares of grazing and range land outside agricultural holdings. In Australia at least 75 million hectares of land was not included in agricultural holdings. More than 11 million hectares of agricultural lands were excluded from agricultural holdings in Iraq. Nomadic grazing was of particular importance in the countries along the Sahara desert in Africa in Lebanon, Iraq and Iran, where also grazing areas were excluded. In the humid tropics agriculture is characterised by shifting cultivation.

only basis

Although land area is not a fully satisfactory measure of the size of operations on holdings, it is perhaps the only thing for which data could be organised. The 64 countries for whom distribution of cropland by size of holdings is available, have 91 per cent of the total cropland in the 83 countries. The percentage distribution of cropland by size of holdings differed considerably from the distribution of all land by size of holding. The average area of cropland per holding was 4.8 hectares. It was higher where the size of holding was large. For holdings under one hectare the average area of cropland was 0.4 hectares. On the other hand the average for 1,000 hectares and over was 273.5 hectares, 684 times more than that for holdings of less than one hectare.

Of course a meaningful comparison of data for succesive censuses of agriculture is difficult. Comparative data for 1950 and 1960 — available in the case of 34 countries — indicate that as a group they had significantly large number and area of agricultural holdings for 1960 than in 1950. Mechanisation, industrialisation and urbanisation resulted in a reduction in small holdings in eight European countries. But in Yugoslavia an increase in the number of small holdings was noted largely due to sub-division of larger holdings. In four South American countries the number of holdings was found lar-

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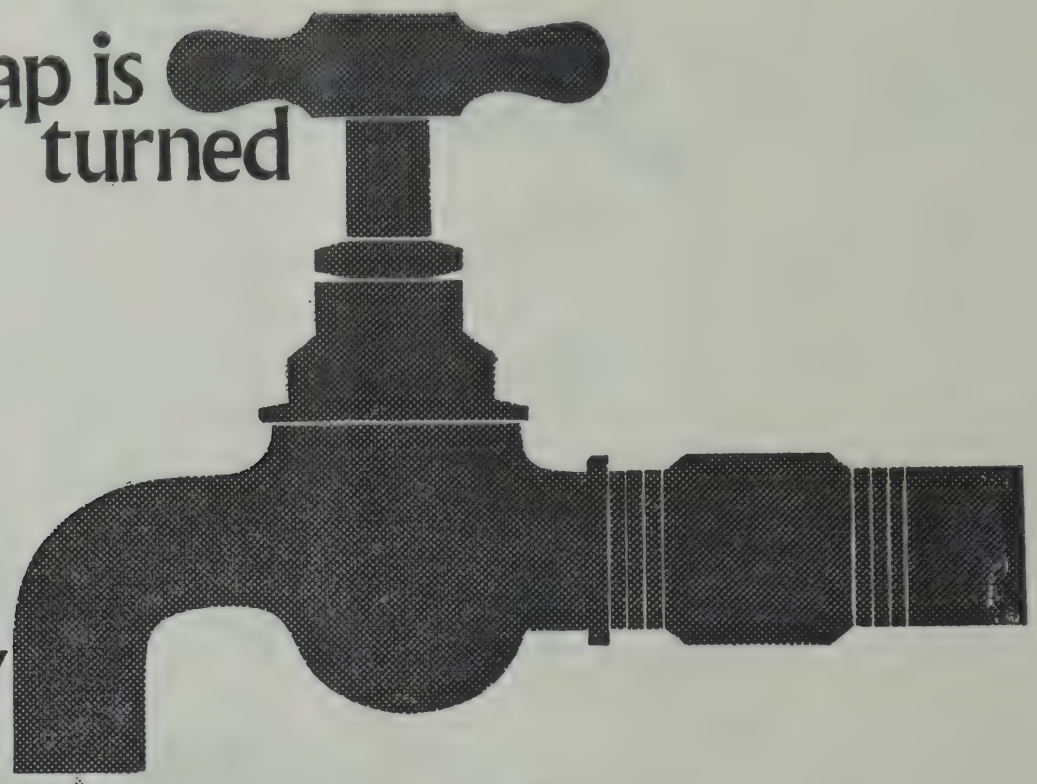
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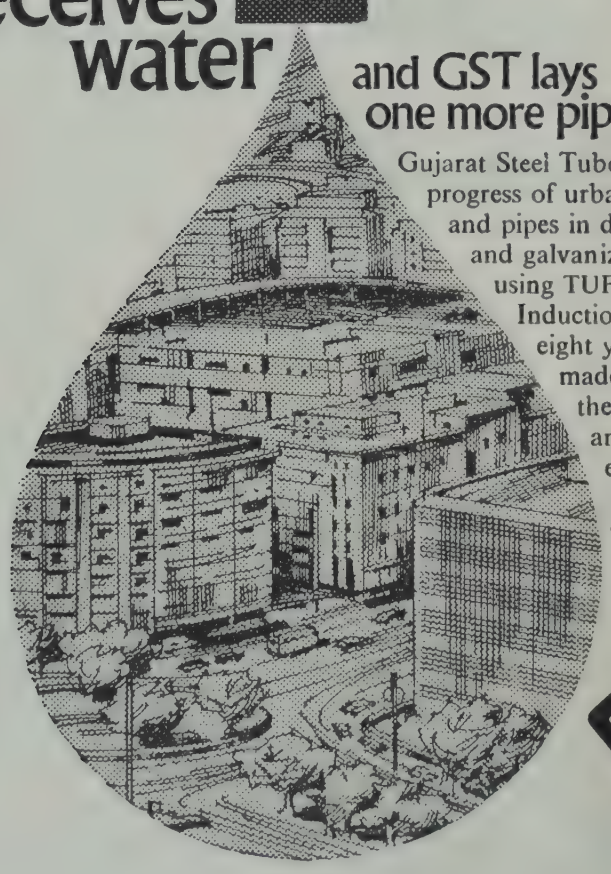


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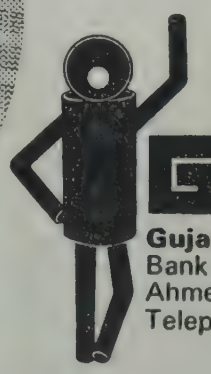
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ger for 1960. There were significant increases in small holdings and decreases in larger holdings because of increasing population and land reform measures. Leasing and alienation of crown lands were responsible for significant increase in the area of holdings of one hectare and above in Australia. While the total area for holdings of less than 100 hectares has been getting smaller and smaller, holdings of over 100 hectares had been increasing since 1930.

productivity of land

The productivity of land varied from country to country — even within countries — and many problems were encountered in classifying the holdings according to use. In many countrie there were no governmental records of land ownership and accurate measurement of area.

Of course the pattern of land use depended on factors such as type of settlement, population, availability of agricultural labour and use of new technology.

About 28 per cent of the 2472 million hectares of land in agricultural holdings comprised of cropland which was the major source of the world's food and fibre production. In 83 countries there was an average of five hectares of cropland per holding and the area of cropland per 1000 population was 399 hectares.

Land under permanent crops, at less than 50 million hectares, accounted for about seven per cent of the total cropland in the census countries. On the other hand, the 1300 million hectares under permanent meadows and pastures were more than one half of all land in agricultural holdings. These were mostly in countries like USA, Argentina, Brazil and Australia. Wood or forest land reported for the 83 countries totalled 238 million hectares or 10 per cent of all land in agricultural holdings.

About 234 million hectares classified as 'other lands' included natural grazing land in Australia and New Zealand, wood and forest land in several African countries. Fallow land in the census countries totalled more than 97 million hectares and worked out to 14 per cent of cropland.

It is a well known fact that nature of tenure and landownership affects agricultural production. The census has indicated that while some holders own the land they use, others get them on rent. There are also partly owned and partly rented lands. Some holdings are operated by community groups and absentee landlordism is prevalent in a number of countries. While in some cases landowners employ a manager to work their lands, in many African countries holdings were also operated under arrangements provided by the tribe, community or village. Only one in ten of the 27 million holdings classified under more than one form of tenure, was operated by holders without any ownership interest in the land. Operators who rent all the land they use totalled a little more than 13 million. It is noteworthy that in 21 countries more than half of all tenants paid their landlords a share of the produce as rent. An Asia (where almost three-fourths of all holdings are located) 80 per cent tenants paid a share of produce as rent. Tenants in 21 countries mostly Europe paid a fixed rent and renting additional land was the most feasible method for increasing the size of operations.

Almost 75 lakh holdings were operated by squatters, mainly in Central and South America. The land held in common by indigenous tribes or aborgines was not included in countries like India and Pakistan (Bangladesh including). This was the case with many African countries south of the Sahara where communal tenure is the predominant form.

In 58 countries two-thirds of the holdings were fully owned. Major portion of the owned land was under large holdings — more than 60 per cent in holding of 20 hectares or more. A large proportion of the holdings operated by tenants contained less than 10 hectares and holdings of less than two hectares comprised a significant proportion of all rented holdings.

difficult comparison

Although comparison with the earlier census is difficult, it is clear that as a result of land reforms between 1930 and 1960, there was large scale reduction in both the number and proportion of holdings operated by tenants in countries like Japan. There were significant changes in the total area of all holdings for Costa Rica, Panama and Brazil. In most European countries there was an increase in the area rented by the holder as well as in the proportion of the area in all rented holdings. In Canada the area owned and rented by holders increased as a result of expansion in agriculture. In UAR land reforms resulted in decline in the area owned by the holders and increase in the area rented.

Data available for 38 countries on the number of parcels constituting each holding show that splitting of holdings into numerous noncontiguous plots is a feature in many countries. Although it is not associate with any particular form of land tenure, the practice is prevalent in countries of Europe, Asia and Africa than those in the Western Hemisphere.

In Europe, North America and in some other countries the younger generation shows little interest in farming compared to other employment. This has left relatively greater number of older persons in charge of agriculture.

mixed cropping

Crops on the 700 million hectares of cropland are grouped into those grown on arable land, permanent meadows and pastures cut for hay, and permanent crops. Mixed and multiple croping are common in the countries of Africa and parts of Asia, Central and South America. The area of cereal crops approximately totalled 340 million hectares and represented 80 per cent of the total area under 36 temporary crops. Wheat and rice occupied almost 25 per cent of all croplands in the 83 countries. Production statistics were only partial.

The 83 countries with 1300 million hectares of permanent meadows and pastures in holdings, had more than 1.5 thousand million heads of livestock. Reports on livestock were not fully accurate as there were difficulties in counting them, especiaally among nomadic herds. About 60 per cent of all cattle in 76 countries were in India, USA, Argentina, Pakistan (including Bangladesh) and Australia. India accounted for one-third of the 591 million cattle reported in these countries.

A large labour force is engaged in agricultural work in the 83 countries. For fifty countries there is an average of 2.9 workers per holding. It is concluded that on a proportionate basis the number of persons working on the 140 million holdings in all 83 countries may be as many as 400 million. In most countries permanent workers represented less than 10 per cent of the people working on holdings. Women comprise a significant part of the total number of persons working on agricultural holdings. It is estimated that over 900 million persons lived on the 140 million holdings in the 83 countries. The proportion of the farm population to the total population varied from 7.6 per cent in the USA to more than 80 per cent in India, Portuguese Guinea, Togo and Uganda.

Farmers with major non-agricultural occupations are not confined to Europe and other developed countries; they are found in Asian and some African countries as well. In some African countries north of the Sahara and on large holdings operated by Europeans, there is almost

complete dependence on human power for agricultural operations.

Irrigated land in the world around 1960 is estimated at about 190 million hectares and the area irrigated outside mainland China at 116 million hectares. More than 40 per cent of the holdings in Chile, India and Thailand received irrigation in 1960, India had more than one-fourth of the total area irrigated in the 44 countries. It is also noted that 40 per cent of the increase in recent years in food production in the USA was the direct result of increased use of fertilisers.

The global census has covered a number of aspects of world agriculture and it may be hoped that the 1970 census would yield a clearer pictrre of the world Agricultural situation.

Our textiles abroad

A Correspondent

AFTER HAVING LISTENED to repeated threats by the Minister of Foreign Trade to take over the export trade in cotton textiles because of its failure to fulfil export quotas in cotton textiles, the natural public reaction wou'd be to wonder what the Cotton Textiles Export Promotion Council (Texprocil) has been doing. Mr Krishnaraj M.D. Thackersey, its Chairman, has had a good deal to say on this both in his chairman's speech at the last annual meeting of the Council and in the course of a press conference. By now, from reports in the daily press,it should be evident that 1972-73 would be a record year for our trade in coon textiles.

favourable factors

Two factors seem to make this prospect possible, *viz.* a record cotton crop in the last season and reasonable cotton prices. But, as things stand today, one cannot be sure that these two factors would continue. Already, due to the failure of the rains, the estimate of the current season's (1972-73) cotton crop is being continually reduced. And if, eventually, the crop proves to be sizeably smaller than the earlier estimate, such is bound to be reflected in higher prices. But this is not all. In order to maintain our cotton textiles exports, we most also have an appropriate production base. As Mr Krishnaraj observed, "the prospects for the future availability of cloth and yarn are promising only if the adequate availability of cloth and yarn are ensured". And, "unless the capacity is increased and seven-day working is introduced with immediate effect, shortages may develop in the domestic market with attendant difficulties to maintain exports". One more unfortunate development, to make ,matters worse for cotton textiles exports is the power cut that has benen imposed. This means that, even if the mill workers are prepared to work all the week and round the clock as suggested by Mr Krishnaraj, cotton mills would not be able to do so. Finally, one has also to reckon with some delays in shipping.

Nevertheless there are still some things that can be done, and the tragedy is that those in authority do not seem to be in any hurry to do them. Take, for example, the question of licensing additional capacit. How long are we going to be content with staying put at 4,300 million metres of overall textiles production in this country? Both the Indian cotton mill industry and the Texprocil have represented to the government more than once that it is necessary to correct certain capacity restraints in some fields of production in order to take advantage of the growing world market trends in cotton textiles. It goes without saying that an appropriate production base in a fast changing world market is a necessary prerequisite to successful export marketing. The Texprocil Chairman, however, had to stress the same point for the unpteenth time—"the sooner this is appreciated by the authorities and additional capacity licensed, the better it would be for our exports".

Now for a few words about what the Texprocil has done or not done. To take first the positive side. It has fulfilled the US quota of 115 million sq yds for the year just ended (September, 1972). The Council hopes to fare better in 1972-73 than last year in regard to exports to the European Economic Comunity (EEC). It has taken note of the scope and opportunities provided by the emergence of Bangladesh. With its system of bulk deals, accompanied by sustained efforts, Texprocil has also penetrated into some difficult markets. During the current financial year, it expects to achieve through these deals a trade of about Rs 50 crores. It has instilled a sense of discipline among mills and marchant-exporters in trading with countries with import through central agencies.

decline in exports

What the Council failed to do was to maintain the country's cotton textiles export performance in 1971-72. Total exports at Rs 114.7 crores compared with Rs 115.4 crores in 1970-71. Although only marginally lower and there were also circumstances beyond control such as the acute shortage, of cotton, not to speak of the very high prices of the principal raw material, recession in a number of the world markets and the Indo-Pakistan war, concern was felt — and the government of India was made to convey its displeasure or dissatisfaction — at the sharp decline in exports to the UK. In the first six months of the current quota year (January-December 1972) i.e., up to end-June 1972, India's textile exports to the UK were abnormally low at only 36 million sq yrds! High cotton prices, expected introduction of tariff (and also the removal of quota) on Commonwealth imports from January, 1972 and the later reversal of this decision leading to the continuation of the quota system all combined to create a set of circumstances that were hardly conducive to any rise in exports. Some steps taken by the Council lately such as its obligatory scheme to export six per cent of its production during July-December 1972 and the system of bulk deals may be expected to yield good results. Already, as per bookings made by the Texprocil and the trade, shipments between July and December next, amount to 80 million sq. yds. With more bookings on the way, Mr Krishnaraj is hopeful of the industry exporting over 135 million sq yds.

word of praise

A word of praise is due to the Texprocil for its special efforts to step up exports to the UK. Its first and foremost task has been to improve the acceptability of our cotton textiles in the UK market. Although it may seem incredible to talk of improving acceptability in a market with which this country has been trading for several decades, the fact remains that there was not only lack of confidence in our prices in that market, but also a disinclination, if not failure, on our part to diversify the trade to more acceptable lines. It remains to be seen how far the system of bulk deals and other associated efforts of the Texprocil would help restore confidence in Indian textiles among importers in the UK.

Changing pattern of research and development

Jossleyn Hennessy
London.

I

From Nationalism to Supra-Nationalism

ALTHOUGH INTERNATIONAL co-operation in scientific research and development (R&D) was by no means new even in the 1950s, the Rome Treaty surprisingly said little about it. But if this was a blind spot in 1957 it soon disappeared. By July, 1963, the Community's first medium-term economic policy programme was making explicit recommendations. A string of Commission proposals and Council decisions—although mostly of limited significance—followed.

It was only at the end of 1969, however, at the summit conference of EEC heads of state or government a The Hague, that the stage was set for real progress in co-ordination of R & D at Community level. One of the results was a clear declaration that the Community should do more (including providing of cash) to co-ordinate and promote industrial R & D, in part by Community programmes. An important decision was that the terms of reference of the Community's Joint Research Centre (JRC) would be extended beyond nuclear research, with which it had previously been exclusively concerned, to extend over wider areas.

But though the stage may have been set in 1969, there was little progress until the end of 1971, when it was decided to embark on a multinational Community R&D programme in 1973. This programme emerges fairly directly from the "Commision Memorandum to the Council Concerning Overall Community Action on Scientific and Technological Research and Development", published on November 11, 1970.

Meanwhile, within the framework of OECD, similar moves were taking place, as a result of a series of meetings of member countries' ministers responsible for scientific affairs. Here the growing attention to science policies was interestingly charted by the shifts in ministerial titles and responsibilities: at the first ministerial meeting on science policy in 1963, those present were mainly ministers of education, for whom scientific affairs were a peripheral responsibility. Only two years letter at a second conference, 75 per cent of the ministers present were specifically and exclusively holders of science portfolios.

WINDOW ON THE WORLD

faster growth

In both the EEC and in the wider OECD, the motivation of European governments towards building up R & D capabilities assumed that spending of this kind was related directly and proportionately to the rate of economic growth. Subsequently — and inevitably — came the realisation that the relationship between R & D expenditure and the pace of business expansion was by no means linear, and that what mattered even more was the capacity to translate R & D results into relevant product innovation, etc., and to produce and market the results effectively.

The concentration in the early and mid-1960s on sheer quantity of R&D expenditure was a direct consequence of an acute awareness of the technological gap in industry between Europe and the USA and of the huge disparity between outlays on scientific effort in the two areas. Thinking at the time assumed a cause-and-effect relationship between the two.

The subject was flood-lit by the data produced in the OECD study of resources in the International Statistical Year for Research and Development, held in 1963-64. For the first time ever—there has been no repetition since — member countries compiled comprehensive data on all resources devoted to R & D. The results were traumatic, particularly for the members of the EEC. Whatever the criterion chosen — whether expenditure on R & D per head of population or as a percentage of GNP, or qualified man-power working on R&D as a proportion of the population — the USA was far ahead of Europe. Within non-communist Europe, the UK was considerably ahead of the EEC countries.

Selected details of the situation in 1963-64 are shown in the (Table p. 860). The gap between Europe and the US has since narrowed to some extent but relative positions within Europe have probably not changed much. Comparability of data was achieved by following the definitions of the OECD Frascati Manual, which specify R&D as all work taken for the advancement of scientific knowledge, with or without a practical aim in view, and the use of the results of basic or applied research for the introduction of new products and processes or the improvement of existing ones. It should be noted that peripheral activities such as scientific information and data collection, teaching, testing and work on standards are excluded, as are R&D connected with the social sciences.

II

European Governments Shaken

European governments, particularly those which received a low rating in the table, understandably over-reacted to the results emerging from the International Statistical Year for Research and Development. They felt substantial political pressures because the mass media presented the results as if they were a league table

of economic and trade *performance*. However, this was to ignore the essential limitation of the data in this survey of R&D resources: although they are fair measures of manpower and financial inputs into R&D, they are by no means satisfactory measures of R&D outputs. The impact of efforts of this kind on innovation and economic growth are inextricably intertwined with many other factors, ranging from capital availability through management abilities and levels of education to marketing skills.

closing the gap

Whatever the precise reasons, there was a shift of government opinion in Western Europe towards mutual co-operation in order to use available resources in the most effective way so as to close the technological gap with the USA. There was, indeed, a scramble to rush into new multi-government R&D projects and to intensify existing co-operation.

In view of the excessively high expectations of some participating governments and the consequent impinging of political considerations on what should have been scientific and technical ventures, it was hardly surprising that there were some big disappointments. Some important programmes of the European Atomic Energy Community, the Europen Space Vehicle Launcher Development and the European Space Research Organisation were in many respects failures, partly because of national rivalries. On the other hand, there were enough successes, e.g. the European Organisation for Nuclear Research (offsetting the setbacks suffered by EURATOM) to encourage further efforts at international co-operation both within and outside the EEC. In the last twelve months, however, there have been several striking new developments which, though individually of only modest significance, together make up an authentic programme of supra-national R&D that can be a point of departure for much bigger things.

The Community's action programme (noted below) was rightly ambitious in the range of activities put forward as suitable for Community R&D projects. Ultimately, the Commission sees supra-national action in fundamental research, applied research, public services, industrial development and inevitably, the environment. Some proposals made — e.g. that the Joint Research Centre should undertake research work for companies on a contractual basis — are so ambitious as to be unrealistic in the present state of intra-Community relations. Indeed, it is symptomatic that by early 1972 all that had been achieved was a stop-gap, one-year financing of the JRC programme, which is still orientated overwhelmingly towards nuclear research (See Table II p. 861).

Nevertheless, in the first part of 1971 the members of the Commission were feeling optimistic. At long last the JRC had been reorganised following the science ministers' agreement on December 17, 1970, with its brief now expanded to cover techology in general (including computers), and the Council (and the Commission, too) had agreed not to meddle in the running of the Centre.

In May, the JCR submitted proposals for a multiannual programme designed to give greater continuity to, and to extend, its operations. The main headings of what was deliberately intended as a relatively low-key programme were:

(1) Continuation of work of current projects at Ispra. (2) Closure of the Essor reactor. (3) Research on heavy water reactors. (4) Computer science. (5) Long-term applications for nuclear energy, other than electricity generation. (6) Environmental protection, (7) Standards and reference substances.

pruned programmes

The Commission inevitably pruned the JRC's already modest programme before submitting its proposals and accompanying manpower and financial resources budget to the Council in December.

The Commission's programme for 1972-74 kept to the JCR's time-scale, which gave some continuity to the projects put forward but made no attempt to pre-empt too much of the future since the EEC is about to be enlarged. In addition to the direct projects (under JCR control), the 1972-74 R&D proposals include indirect projects to be financially supported and co-ordinated by the EEC though carried out by public and private concerns in member countries.

changing trend

The direct programme included the Commission's decision to accept the majority opinion in JRC to close down the Essor reactor, reflecting the trend away from the heavy water reactors for which Essor tested fuel elements. The JCR's standards and reference substance project and plans for research into environmental protection were both incorporated in the Commission's proposals. It is characteristic of the latter's caution that this programme can be staffed by the JCR's existing manpower.

Perhaps because it was encourged by the Councils' earlier approval of indirect action programmes for controlled thermo-nuclear fission, protection against ionising radiation and the Dragon agreement, the Commission was relatively ambitious in its proposals for 1972-74 in this area. In the sphere of "D", as opposed to "R" there were plans for developing high-temperature, gas-cooled reactors, plus projects on light water reactors. Other plans included work on radio-active waste disposal and scientific and technical training.

The breakdown of the funds requested in the Commission's budget for the three year programme is shown in Table II.

Whatever the hopes that the Council on December 20, 1971, would approve the Commission's three-year programme were dashed. The plan was thrown out and a

TABLE I

R&D Efforts in Selected OECD Countries

		Gross national spending on R&D*			R&D manpower	
	Year	Total ($mn)	Per head ($)	% of GNP**	QST† ('000)	No per 10,000 of population
US	1963/64	21,075	110.5	3.7	697	35.8
France	1963	1,299	27.1	1.9	85	17.9
West Germany	1964	1,436	24.6	1.6	105	18.0
Italy	1963	291	5.7	0.7	30	6.0
Belgium	1963	137	14.7	1.1	16	16.8
Netherlands	1964	330	27.2	2.1	31	25.8
UK	1964/65	2,160	39.8	2.6	159	29.4
Japan	1963	892	9.3	1.5	187	19.5

* At exchange rates and prices of years shown.

** At factor cost.

† Qualified staff and technicians.

one-year stop-gap programme substituted.

III

Battle Lost But War Continues

But though the new JCR and the Commission may again have lost a major battle, the chances are that it could relatively soon win the war. For while the Council put the Community's 1972 R & D activities on a provisional basis, the ministers nevertheless adopted a resolution implying the start of a multiannual programme in 1973.

One would normally think that a resolution phrased in the general terms of that adopted at the December 20 Council would necessarily result in a fully-fledged multiannual Community R & D programme implemented from 1973: there are too many dismal precedents that in an uncertain world the future actions of the EEC Council of Ministers are particularly uncertain. But this time there is an important difference. From January 1, 1973, the probability is that the UK (most important in this context) and the other three potential members will be participating in Community decisions. The British, whose R & D activity is relatively much larger than that of any other members, are keen to get Community scientific efforts moving forward more rapidly. With the UK in, obstruction of Community-level R&D activity by the French, who were substantially responsible for the Council shelving the three-year programme last December, could be bypassed. In 1972, French non-support meant the multiannual programme was a non-starter: in 1973, French non-support would probably be irrelevant.

Meanwhile Community R&D will have to make do with 45 million u.a. in 1972. Of this, four million u.a. will be for non-nuclear activities.

It is ironic — and, incidentally, supports the foregoing view that the Community's R&D efforts will be more successful after enlargement — that while the EEC Council was turning down the 1972-74 programme, much better progress was being made by the Scientific and Technical Research Policy Group of the Community (PREST) and the thirteen other European participants in the Organisation for European Co-operation in the Field of Scientific and Technical Research (COST) — (See below). At the conference of representatives of the nineteen participating governments in COST (the Six, Plus, UK, Austria, Denmark, Finland, Greece, Ireland, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and Yugoslavia), together with the EEC Commission held in Brussels on November 22-23, 1971, years of preparations and inconclusive discussions were transmuted into an action programme.

It would be ridiculous to pretend that the conference achieved full-scale co-operation at West European level at a stroke, but if the official COST programme is not a mountain, it is much more than a mouse. In effect, the proposals were all approved. They include the following:

1. The setting up of a pilot European data transmission network to prepare for later operational networks. The first two years will establish the pilot network, to be followed by three years of testing between nodal points. Eight countries will participate with the Community.

2. In telecommunications, a study of the propagation of radio waves aimed at improving efficiency of aerials. Four participants.

3. Two industrial R&D projects on materials for gas turbines and for desalination plants. Nine countries plus the Community.

4. Three projects on pollution. Nine or more countries for each project, plus the Community for two projects.

In addition, the ministers approved in principle that work should continue on drafting and finalising agreements for co-operation in the following:

1. Setting up a European Medium-term Weather Forecasting Centre, equipped with computer facilities. Part of the 20 million u.a. centre's brief would be to carry out R&D into new techniques for producing 4 to 10 day weather forecasts. The benefits accruding to participants in COST could be 200 million u.a. per year.

2. The establishment of a European Information Centre on computer programmes.

TABLE II

The Commission's Proposals for the R & D Programme: 1972-74

	Funding plus reserves (mn u.a.)	Manpower (no.)
Direct Action at JRC		
of which:		
nuclear industry projects	27.6	432
public service activities	11.1	182
long-term research	10.1	162
environmental research	3.2	60
standards & reference substances	1.5	30
teaching & training	2.4	6
Scientific & technical support	17.7	393
Major facilities	31.3	230
General supporting facilities	45.9	525
Total	151.1	2,020
Indirect Action		
of which:		
light water reactors	11.3	4
advanced reactors	14.1	70
fuel cycle	2.0	—
high-flux reactors	2.1	40
teaching & training	1.1	2
Total	30.6	116
Grand Total	181.7	2,136

3. Further studies of electronic traffic flow aids.

4. Further work on an oceanographic and meteorological data-acquisition network.

It is remarkable that while the EEC's efforts at an autonomous, supranational Community, multiannual R&D programme, with a full budget of its own, have so far made little progress, the COST programmes, which are flexible, involve no joint funds, and are open to participants on what amounts to an *à la carte* basis, are to go ahead in their entirety. True the JCR programme is much more ambitious than COSTs existing plans, and the relative amounts to be spent reflect this, yet the success of COST may be a pointer towards the way in which multinational R&D can best be conducted — certainly, the lessons learnt in carrying out this first group of projects should greatly ease future decision-making in an enlarged EEC.

IV

De-restrict Private Sector

In view of the great stress that the Community lays on international co-operation in R&D, it was not surprising that the Commission should want to exercise care in defining the applicability of the EEC rules of competition to R&D co-operation agreements between business enterprises. Apart from its interest in keeping its private sector philosophy in harmony with its proclaimed enthusiaism for international R&D co-operation at state level, the Commission also has constantly to bear in mind the need to aid the competitiveness of Community industries. In addition, any qualms about possible infringements of its anti-trust policies have to be weighed against the vast R&D potential of the multinational enterprises that operate throughout the Community and in effect by-pass many EEC competition policy restrictions. In May, 1970 the Commission submitted to the Council a regulation designed to exempt R&D agreements from the prohibitions contained in Article 85 of the EEC Treaty. Nevertheless, it is still on its toes to prevent inter-company co-operation on research from being used as a cover for restricting competition. Already, a research agreement according each participant a rate of licensing dues designed to give him a clear advantage in his main market has been deemed to be in breach of the competition regulations similarly, patents resulting from joint research cannot be employed to control or prevent entry of goods into Community markets.

However, exemption from Article 85 has now been granted to a research agreement concerning two major companies — Henkel of Dusseldorf and Colgate Palmolive of New York. They intend to be co-partners in a research company that will consolidate their respective R&D activities on specified washing powders, right up to the marketable stage. The essential qualifying point for exemption from Article 85 is that the joint results in terms of patents and know-how will be equally available to both parties and will be exploitable without restriction. Now that the Commission has approved this agreement, it is likely that many other companies will want to follow suit.

Part of the impetus behind the increased enthusiasm of private sector industry for inter-firm co-operation in R&D derives from the sharp deceleration in the rate of expansion in public spending on these activities. I have already listed the difficulties in the various attempts to establish international R&D programmes at governmental level. In summing up, it only remains to point out that the increase in public spending on R&D in the EEC from $3,600 million in 1967 to / $5,000 million in 1971, both figures at current prices, really represents a complete standstill in constant prices from 1967 to 1970 with a modest revival in 1971. The situation looks rather more favourable for civil appropriations alone.

The 1971 revival in public R&D spending in the Community supports the view, however, that the recent success of the COST conference is more representative of international attitudes towards co-operation in science policies in the early 1970s than the failure of the Commission's proposals for a multiannual Community R&D programme. And, indeed, the point is made in a recent report of the OECD Ad Hoc Group on New Concepts of Science Policy — "Science, Growth and Society — a New Perspective" — that "the present spirit of disenchantment with multilateral co-operation should not be allowed to disguise the reasons that still induce, and sometimes compel, countries to engage in joint action". In many areas of research, both pure and applied, the size and cost of the inputs required is beyond the financial capacity of individual countries. And as applications of R&D in the form of advanced technology increase, internationally organised control, allocation and operation will inevitably have to be greatly extended. All this implies that the centre of policy formulation and decision-making concerning R&D will shift progressively from the national to the supra-national level.

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Up against inflation

E. B. BROOK
Vienna.

POLITICAL AND economic affairs move unavoidably between series of outstanding events: at present they lie between the meeting of the International Monetary Fund and the Common Market summit, on October 19, and will be further conditioned before the year's end by the federal German general elections. These important dates often convey more impression of a terminal or initial point than facts justify. This could probably be said of the IMF session in Washington and may well be true also of the Paris summit in ten days time.

punch reduced

The punch had very largely been taken out of the IMF session by the fact that since its meeting in the Smithsonian Institute, also in Washington, last December Britain had largely set that session's work aside by allowing its pound to float. This amounts to a devaluation of some five per cent and if the pound is pegged to a fixed rate in a few months time it may well be at an even lower rate in order to make the new rate reasonably defensible. There are strains on other countries' currencies and the spectre of competitive devaluations has not been laid to rest nor the prospect of division of the world into competitive and almost hostile protectionist groups. Inflation is universally prevalent, a fact underlined this week-end by the increase in the German bank rate by from 3 to 3½ per cent and of the Lombard rate by from 4 to 5 per cent. The increases bring the rate more realistically into line with present money market levels but will do nothing to check the rising trend of foreign interest rates, particularly of dollar rates. If these foreign rates continue to rise, the German rate will almost undoubtedly go up again.

The most important item on the agenda of the Paris Market summit and on that of the Market Finance Ministers' meeting at the end of the month will be decision on joint action to fight inflation. One measure that may be considered is a reduction of the Common Market's external tariffs. This would increase competition in Europe through greater pressure from imports, a fact which would, in turn, restrain Common Market area companies from further raising their prices.

The worry of the steadily, and often steeply, rising cost of living stretches from north to south in western Europe, in Market and non-Market countries. The impact of the Added Value Tax of the Common Market is likely next year to raise prices overall by from 7 to 10 per cent and some countries, including Austria and Sweden with their advanced social security systems, are planning to increase pension payments to the elderly and to those with large families to help them take the strain. The most effective, though the most painful, of antidotes will be if people, though they demand an ever-rising standard of living, desist from buying all but essentials if prices go too high. In some cases this may be inevitable, but the majority will spurn such self-denial, demand still higher earnings and thus help to send the inflationary spiral still higher. The effect, unless it is checked, will be to squeeze out of existence those with low or fixed incomes.

There is some reason to hope that at least currency speculation is beginning to decline, a fact that, if it proves to be sustained, will give national governments greater room for manoeuvre in their credit policies. Rising rates in the Eurodollar market are already pushing borrowing back to home sources as borrowing abroad becomes more expensive. The US dollar is also unlikely to move to a rate which will necessitate further intervention by European central banks. But the principal cause of sickness in economic affairs remains — the fact that world commerce is financed chiefly by the outflow of US dollars resulting from the large deficits in the US balance of payments. Technical solutions are available; what remains less available are the acts of political will by the industrial nations to put these technical solutions into practice.

desire to move

The IMF meeting showed that there was a desire to move ahead promptly with the collective task of reforming the international monetary system but it will inevitably be some time before the work of the 20-nation IMF committee to negotiate a monetary reform can reach a useful practical conclusion. The greatest safety valve in this important enlarged body is the presence of an effectively large proportion of representatives from the industrially developing countries who will not allow the interests of the less well-off to be glossed over.

The common Market in its existing form of six members, with Britain, agreeing, approved a three-stage plan towards a European Monetary Union two years ago, the target date being 1980. Although this date is still eight years ahead, with the Market growing from six to nine in three months' time, many wonder if, with world currency problems still unsettled and with no near prospect of settlement, this date is not too close and, some, if a full monetary union can be achieved at all. To make the scheme work the Market's members would gradually have to give up much of their autonomy and to agree on relatively similar price, cost and wage structures and rates of inflation. Of all this there is no sign yet. Without such an economic and monetary unity there is not much sense in talk about a United Europe but the crucial problem of nations bringing themselves to surrender much of their sovereign power and right of decision-making to some supra-national authority shows little sign of moving towards solution. The British Conservatives and others who support British membership of the Common Market do so combatively and any suggestion that the UK may be surrendering some of its prerogative of making its own decisions has been angrily denied. To many on the continent it still seems uncertain if Britain realizes what a revolution the terms of the Market's basis, Treaty of Rome means in its affairs.

towards unity

What remains the crux of developments in west Europe in the rest of this decade at least is how far the process of "working things out together" (the Conservative. gloss over the problems of joining the Market) will prove to be effective. Experience in the Market hitherto, particularly between the Germans and the French — the two present Market Powers big enough to be able to assert their opinions — is that they refuse over essential problems to surrender powers which they consider essential to the proper functioning of government and that, under pressure of crises, unity weakens. Even the small measure of self-denial which the Market Powers managed to exercise during the 1971 currency upheaval in narrowing the extent within which their currencies could fluctuate against each other was suddenly ended by the Germans floating their mark. The floating pound has been another blow. The Market's time-table for expansion and for an European Monetary Union stands and will receive much advertisement this month. But events and some policies are not encouraging to those who see in a united west Europe a new Age of Enlightenment for this currently very anxious continent.

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ITC/PR-19

MOVING FINGER

One or two newspapers

have suggested that Mr Jagjiwan Ram lost his temper at the recent meeting of the working committee of his party which was held in New Delhi preparatory to the AICC session in Ahmedabad. My information is otherwise. Mr Jagjiwan Ram, it appears, far from displaying temper, remained his usual affable self while telling Mr Sethi and others where they got off. Those who know Mr Jagjiwan Ram at all would certainly find it difficult to believe that he would have lost his cool especially in dealing with light weights such as the present chief minister of Madhya Pradesh.

My point, however, is not whether Mr Jagjiwan Ram got upset or not but how valid was the point he was trying to make. One of the men from Mrs Gandhi's faction ridden party in Bihar, while speaking at the AICC session, had taken it upon himself to charge Mr Jagjiwan Ram with casteism. His complaint was that, when clashing with Mr Sethi and others at the working committee meeting, Mr Jagjiwan Ram had expressed his resentment over Harijans being ignored in the matter of party tickets for the legislatures or ministerships in the states. If this is casteism, Mr Jagjiwan Ram should certainly be proud to wear the label as conspicuously as he does his Gandhi cap. We have been told *ad nauseam* that the ruling party, under the great and glorious leadership of Mrs Gandhi is labouring round the clock for the good of the poor or underprivileged sections of the community. Can it be doubted at all, that after twenty five years of independence, the Harijans as a community remain more poor and more underprivileged than any other part of our society? It is only too obvious that in the politics of today, the opportunities that any particular section of the people may have for its advancement, economic or other, are directly and heavily dependent on the strategic positions its members or representatives may have managed to occupy in government or at the higher levels of party hierarchy. Mr Jagjiwan Ram was only bringing out this unpalatable truth when he pointed out that it would be sheer hypocrisy to talk about the ruling party's concern for the poor and the underprivileged in our society so long as the Harijans were not given proper representation in party leadership or government.

In the context of 'garibi hatao' slogan mongering, it is only too easy to forget the fact that the one true anti-poverty programme in this country was launched when Mahatma Gandhi asked his country to pledge itself to do justice to the Harijans when it became independent. The Harijans and the Adivasis between themselves form the largest and the most readily recognizable concentration of the poor and the underprivileged in our country. Despite the crumbs of economic betterment or relief from social distress which have been thrown to them during the last twenty-five years, they still remain starved of fair opportunities for breaking free from the tyranny of the ages. If the ruling party is really interested in fighting poverty it should therefore commit itself immediately to definite and adequate programmes for generating more employment, improved earnings and better living conditions for the Harijans and the Adivasis. It is not unreasonable to believe that the ruling party may not find it necessary to effect this change in its value system unless and until the important political positions in it ceased to be the preserve of politicians who have no real kinship with the genuinely poor and the underprivileged sections of the community. When I say 'kinship' I mean the kinship of flesh and blood and not of political rhetoric. Only Mahatma Gandhi was able to transcend the limitation of caste as defined by birth — and Gandhiji has long been dead.

The decision of the

government of India to accord full diplomatic recognition to the German Democratic Republic has naturally been widely welcomed in this country. Over the years the GDR has gone more than half way to work with this country in building up friendly relations based as much on mutual respect as on mutual benefit. Many men of goodwill in both the countries have been participating in this process and pre-eminent among them has been Mr Herbert Fischer, Consul General of German Democratic Republic, who, with his good wife, has been labouring for its consummation with singleminded devotion. There were times when he had to plough what was virtually a lonely furrow. But he never wavered in his courage or faith and now the Fischers must be a happy and fulfilled couple indeed.

Although Bonn has not exactly been celebrating New Delhi's move, the government of the Federal Republic of Germany, as is only to be expected, has shown proper understanding of the motives of the government of India and the circumstances in which it has acted as it has done. New Delhi has always been in close and friendly consultation with the West German government in this matter and it was not difficult for the latter to see that India's full diplomatic recognition of the GDR at the present time serves India's legitimate interests without harming in any way the legitimate interests of the Federal Republic of Germany. As a matter of fact, the Brandt government itself is believed to be on the point of concluding an agreement with the GDR for normalizing relations between them.

It is not only Mrs Gandhi who is having political family worries. Down south Mr Karunanidhi seems to be plagued with more than his share of them. This is not surprising for monoliths of political power or authority are essentially fragile structures. For some time now there have been whispers and murmurs in the DMK corridors of power and a few days ago, the treasurer of the party, Mr M.G. Ramachandran, better known as MGR, the matinee idol of the Tamil film world, took a deep breath, filled his lungs and let out a full-throated roar. Speaking at a party meeting held to observe the birth anniversary of DMK's founder, the late Annadurai, he had demanded that DMK ministers and party bosses should publish particulars of assets acquired by members of their families or other close relatives. The implications of this demand were clear enough and it was equally obvious that the unrelenting campaign which Rajaji and Mr Kamaraj have been carrying on against corruption in DMK politics and government had gained a formidable ally in MGR. This is bad enough for Mr Karunanidhi and his coterie. What makes it worse is that MGR may be speaking for other DMK stalwarts besides himself. That the Chief Minister of Tamil Nadu is not taking the threat lightly is shown by the fact that he has reacted swiftly and removed MGR from the primary membership of the party with a view to frustrating the latter's announced plans to raise the corruption issue formally before the General Council of the party due to meet shortly.

VB

TRADE WINDS

Iron Ore for South Korea

As A result of recent negotiations held between MMTC and the Pohang Iron &: Steel Co. of South Korea, a contract has been concluded for supply of 1.14 million tons of iron ore from this country to South Korea valued at approximately Rs 8 crores. The ore will mainly come from mines of Bihar and Orissa and would be delivered over a period of five years commencing February, 1973. With the conclusion of this contract, a new market has been established for Indian iron ore. India and Australia will be the principal sources of supply to the Pohang Iron &: Steel Co. Exports will be effected through Paradip and Haldia. This is the first sale through Haldia port which is expected to be commissioned in 1974.

The Pohang Iron &: Steel Co. is scheduled to produce about one million ton of crude steel during 1973-74. This would increase to 2.6 million tons in 1977 and further to about five million tons by 1980. It has also been agreed during the negotiations that the imports by Pohang Steel from India would progressively increase in the years to come.

Plovdiv Fair

At the Plovdiv International Trade Fair, which opened recently, India Pavilion was awarded Gold Medal for the outstanding display of products. The participation was arranged by the Indian Council of Trade Fairs and Exhibitions and the Medal was received by the Director of the India Pavilion at a special function organised by the Fair authority. This is the fourth award won by the Council at the international trade fairs this year, the other three having been received at the Cairo, Brno and Barcelona fairs. India Pavilion was visited on the Inauguration Day by the President of the state Council of Bulgaria, Mr Todor Zhyvkov. Fiftyone Indian firms have exhibited their goods in the pavilion. These include engineering items, leathers, chemicals and allied products, textiles, readymade garments, fashion accessories, handicrafts, floor coverings and a wide range of other consumer goods.

State Trading Corporation

The exports of the State Trading Corporation increased by nearly 35 per cent during the first six months of the current financial year over the same period last year. The Corporation exported goods worth Rs 38 crores during April-September 1972 as against Rs 28 crores during the same period in 1971. Among the new orders recently secured by the STC are for castor oil, shoes and coffee,. So far the STC has exported castor oil worth Rs 2.16 crores to the UK, Japan, Australia and the USA and contracts on hand are worth Rs 1.02 crores. STC expects to export castor oil worth five crores rupees during the current year. Recently the STC signed contracts for supply of shoes worth three crores rupees to USSR and Rs 13 lakhs to Poland. The total contracts it has in hand for the supply of leatherware to USSR and other countries amounts to Rs 15.6 crores. Negotiations are also going on for additional supplies of chappals and sandals to USSR.

The STC finalised recently a new contract with Sudan for supply of jute worth four crores rupees. The Corporation is also planning to export jute manufactures to non-traditional areas. A new market for export of vacuum flasks has also been created by the STC. Recently the Corporation received an order amounting to Rs 75 lakhs for supply of vacuum flasks to the USSR. With the exports already touching Rs 38 crores during the first six months of the year, the STC expects to achieve an export target of Rs 92 crores in 1972-73, as against the total exports of Rs 78.6 crores last year.

Scindia Steam

The MV "Jalayamini", a new motor cargo ship of 16,464 tonnes DWT. was delivered to the Scindia Steam Navigation Co. Ltd at Emden by Messrs. Rheinstahl Nordseewerke, GmbH after successful trials. This is the second of the two ships ordered with the yard and is a sister ship of MV "Jalayamuna" which was delivered earlier in May 1972. The vessel is built to the highest classification of Lloyds Register of Shipping and is propelled by super-charged MAN Diesel Engine to give a speed of 16.2 knots. With the addition of MV "Jalayamini" the company's fleet now consists of 46 ships having a total deadweight of 602,000 tonnes.

Convention of Indian Engineering

Detailing the programme of the International Convention: Indian Engineering Industries being organised by the Engineering Association of India at Vigyan Bhawan, New Delhi on November, 23 and 24, 1972, Mr Stya Paul, the Convention Chairman, revealed that the Convention would be divided in three sessions: *first*: Engineering Industries in Developing Countries: 25 years of Growth and Experience; *second*: India's Engineering Exports: Perspective of Growth; and *third*: Development through co-op ration: Scope for Joint Ve tures and Technical Assistan

Mr S. Bhoothalingam, I rector General, National Co cil of Applied Economic R search would be the chairm of the first session, Mr Nehru, Chairman of Tata I ports of the second and Viren J. Shah, Chairman M/s Mukand Iron and St Works, Bombay would be t chairman of the third sessio Among the foreign countri participants are coming fr Hong Kong, Malaysia, We Germany, Thailand, Ceylo Yugoslavia, Hungary, GD Rumania, Poland, Czechosl vakia, France, Italy and t UK.

National Productivity Council

The President, Mr V.V. Gir laid the foundation stone of th building of the National Pr ductivity Council in the Inst tutional Area, Lodi Roa New Delhi, on October 1 1972.

Synthetic Detergent Plants

The union government ha invited applications for i dustrial licences under the I dustries (Development an Regulation) Act, 1951, fro new entrepreneurs who wis to establish plants for manu facture of synthetic detergen in the states of Jammu Kashmir, Himachal Pradesh Kerala, Orissa, Bihar an Assam. Applicants are require to give alongwith their appl cations all relevant inform tion including total capital co of the scheme, total foreign e change requirements, rupee r quirements for the scheme ind cating clearly the sources fro which these will be finance

The new units should norma be for a capacity of about 10,0 tonnes per annum at 30 per ce AD content basis. Units wi lesser capacities would also considered where demand do not warrant setting up lar sized units. Proposals bas on maximum utilisation of in genous plant and machine will be given preference. App cations in the prescribed fo

should reach the Ministry of Industrial Development (C.L.P. Section), Udyog Bhavan, New Delhi, by November 15, 1972.

Traditional Ship in Kuwait Pavilion

An attraction in the Kuwait Pavilion is going to be the "Boum", the traditional ship which was used for pearl-diving, fishing and marine trade between the Indian Ocean area and the Arabian Gulf in the past centuries. The rest of the pavilion will depict the strides of the oil-rich nation in the fields of education, health and community welfare. Among the industrial exhibits will be the products of oil and petrochemicals industries for which Kuwait has earned a name in the world's markets.

Award for India Tobacco

India Tobacco Company secured recently fresh international awards. Four cigarettes developed and manufactured indigenously by the company have been awarded medals for "excellence" at the 1972 Monde (World selection) in Switzerland.

Compression Testing Equipment

A prototype of a simple equipment for the purpose of compression testing has been developed for the first time by the Indian Institute of Packaging, Bombay, (IIP). This instrument, a manually operated compression tester, will now help in measuring compression strength of small and medium size duplex board cartons and similar containers, and has a range of 0 to 50 Kgs. Packages upto 11 inches height can be tested by this instrument which is also used for comparative evaluation of stiffness and stackability of small cartons. IIP, a government sponsored organisation, is carrying out research and development with a view to assist industries in their packaging needs.

Advance in Transistor Technology

The Central Electornics Engineering Research Institute (CEERI), Pilani has achieved a major breakthrough in the development of core technology of silicon transistors and diodes. The indigenous know-how will not only help establish transistor industries but will also open up new avenues for further developments in the field of electronics. The annual production based on CEERI know-how is expected to be worth about six crores rupees within a couple of years and the annual foreign exchange savings would be of the order of three crores rupees. Transistors and diodes are basic components in any electronic equipment or system and their demand is steadily increasing. It is estimated that by 1974 the demand for these devices would be around 120 million a year, whereas the present annual production is of the order of 40 million only.

Bank of England

The weekly announcement of Bank Rate, until recently the main signpost to British government policy towards interest rates, has been dropped. In its place, the Bank of England is to announce every Friday a minimum lending rate which will be based directly on the average rate of interest on Treasury Bills. The change is in line with the more flexible approach towards the control of credit introduced by the Bank of England just over a year ago. It provides the Bank with a much more flexible instrument for influencing short-term interest rates, without the drama traditionally associated with the announcement of Bank Rate each Thursday.

World Steel Conference

An overall world crude steel production of between 660 million and 670 million metric tons is forecast for next year by Mr Charles B. Baker, Director of the International Iron and Steel Institute. This would be a six per cent increase on this year's likely total. Mr Baker issued his prediction at the institute's annual conference in London. The rest of this year is expected to show an appreciable improvement in demand, partly because of a general improvement in business conditions.

For 1972 the institute expects world steel production to reach 628 million metric tons, 8.1 per cent more than in 1971. This year's recovery will be stronger in some countries than in others, according to Mr Baker. In the Common Market countries and the US the institute expects an improvement of 8 and 10 per cent respectively, whereas output in the UK is not expected to show more than four per cent above 1971. Japanese production should advance by nearly seven per cent and in all of the other institute member countries the increase should average out at eight per cent. The membership is now 111 companies from 29 countries.

Increased Trade with Czechoslovakia

Czechoslovakia is likely to buy sophisticated industrial products such as boilers and automobile components from this country during the next year. This was indicated by Czechoslovakia's Trade Counsellor, Mr V. Kirsbaum, recently in New Delhi. He added that the products would be mainly procured from the Czech aided projects. Detailed negotiations would be held shortly when the delegation, led by the Czechoslovak Deputy Foreign Trade Minister would visit this country for the third Asian Trade Fair.

FAO Conference

Problems of agricultural development in Asia and the Far East were discussed by Agricultural experts and officials from 21 countries at the eleventh Regional Conference of the FAO which opened on October 17 in New Delhi. The conference was inaugurated by the President, Mr V.V. Giri. The conference also discussed in depth various factors hampering agricultural productivity. The specific subjects discussed included the control of disease and pests in plants and livestock, demand for and availability of inputs, institutional policies with regard to rural credit, and development of rural intitutions for agrarian reforms.

HMT Machines for Poland

An agreement for the export of 200 HMT machines, valued at Rs 380 lakhs to Poland, was signed recently between the Hindustan Machine Tools and the Metalexport of Poland. This is the first time that Poland is importing from this country sophisticated precision machine tools in such large quantities. In 1965, Poland had purchased from HMT 82 machines, worth Rs 28 lakhs. Mr Szymon Segal, director of Metalexport, who led a three man delegation, signed the agreement. Under the agreement, HMT will supply to Metalexport 100 radial drills, manufactured at the Bangalore unit, and an equal number of milling machines from the Pinjore unit. The first batch of 40 HMT machines will be shipped to Poland before the end of this year.

No Duty on Bangla Jute

The import duty on Bangladesh raw jute is being abolished to equalise the Calcutta purchase price with the selling price of the Bangladesh exporters. Dacca may also abolish its export duty on raw jute for the same purpose. At the recent official talks it has been agreed that the Bangladesh jute would be offered to mills in Calcutta at the ruling prices in the market. Even though an agreement has been signed for the purchase of only Rs 60 lakhs worth of raw jute, negotiating teams of the two countries are expected to meet in a couple of weeks to make arrangements for the purchase of the remaining seven crores rupees worth of raw jute.

FCI to Distribute Sugar

The Food Corporation of India recently took over the responsibility of wholesale distribution of levy sugar in the union territory of Delhi. For the first time, the government had allotted 4,900 tonnes of levy sugar to Delhi for the

month of October from the stocks of nine factories in Maharashtra, as the sugar mills in UP failed to meet the requirements for lack of stocks. Till this month Delhi was getting all its levy sugar from UP.

Scooters for Nigeria

A scooter manufacturer in Poona has secured an export order worth Rs 25 lakhs for the supply of more than 1,000 scooters and parts. This is the second order the firm has secured after entering into a contract with Bangladesh for the export of three wheeler scooters valued at Rs 62 lakhs.

Output of Pesticides

Mr G.C. Shroff, President of the Pesticides Association of India stated at the annual general meeting, that in Asia and the Far East, India ranked only to Japan in the manufacture of pesticide chemicals. Starting with just one chemical in 1952-53, the number reached 39 in 1971-72. Commercial production of another four basic chemicals was due to commence in 1972-73.

While it was both desirable and essential to attain self-sufficiency in pest control products, for a variety of reasons, this might not be feasible. The industry had, therefore, to concentrate on indigenous manufacture of such pesticides for which sizeable demand existed. The continued import of a few other chemicals for specialised usage would be essential, he added.

SICOM Investment

The State Industrial and Investment Corporation of Maharashtra (SICOM) assisted during six years from 1966 to 1972 as many as 1,350 units. The total funds disbursed during the year 1971-72 increased to Rs 5.89 crores as against Rs 3.88 crores in 1970-71. Mr N.M. Wagle, Chairman told the members in a statement that the Corporation had made a net profit of Rs 1.07 lakhs before appropriation. He added that the Corporation raised two loans from the public during the year 1971-72 in order to raise adequate resources for the operations of the Corporation.

Jayanti Merges with Shipping Corporation

The union government on October 12, 1972 decided to take over the Jayanti Shipping Company and amalgamate it with the Shipping Corporation of India. The Jayanti Shipping Company had till now functioned as a subsidiary of the Shipping Corporation. With this decision, it will be merged with the Corporation after the statutory requirement of two months' notice under Section 396 of the Companies Act.

The Jayanti Shipping Company, a private firm, was taken over by the central government in 1966 and its management was entrusted to the Shipping Corporation. Later, by an ordinance in 1971, the Corporation was empowered to acquire the Company's shares. The Jayanti Shipping Company operates three vessels of about 20,000 DWT each and eight vessels of about 35,000 DWT. Its fleet is mainly bulk carriers and tankers.

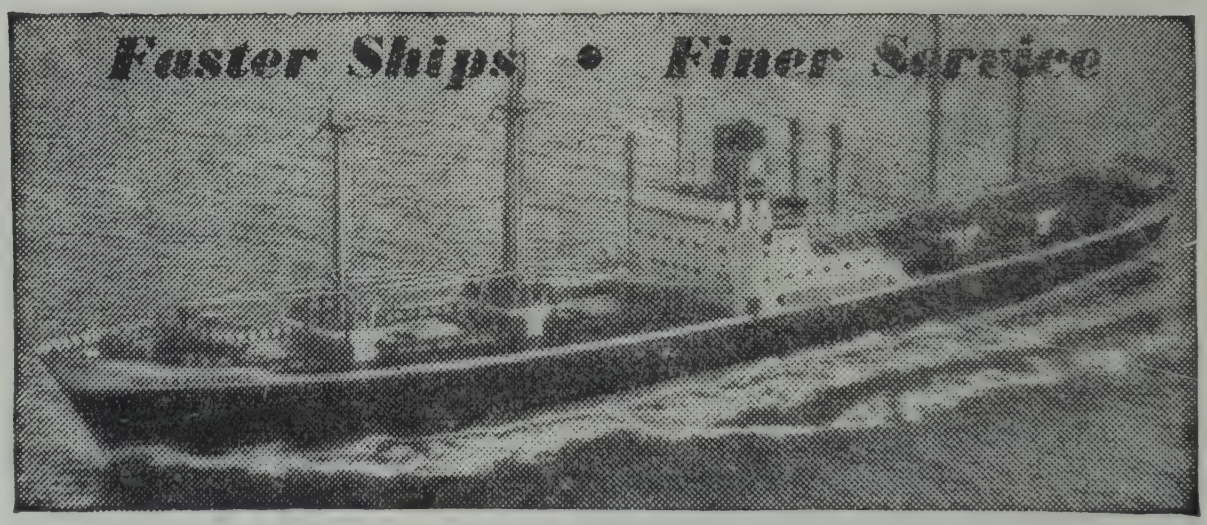
Names in the News

Mr Tej Kumar Sethi, Managing Director of Binod Mills Co. Ltd, Ujjain, was reelected as Chairman of the Indian Cotton Mill's Federation for the year 1972-73. **Mr K. Sundaram,** Director, Lakshmi Group of Mills, Coimbatore and **Mr Balkrishna Harivallabhdas,** Managing Director, Shri Ambica Mills Ltd, Ahmedabad, were reelected as Deputy Chairman and Vice-Chairman, respectively. The other members of the Committee are: Messrs **S.R. Damani, MP, Ramprasad Poddar, Rakesh N. Mafatlal, H.R. Batlivala, Sudhir K. Thackersey, K. Venkatesalu, R. Doraiswami, N. Soundarajan, N. S. Bhat, Navnitlal Ranchhodlal, Navnitlal Sakarlal, Jayantilal Bhikhabhai B.P. Jalan, P.D. Singhania, P.N. Mathur, Ramanlal Chimanlal, Mahendrabhai Shantilal Shah, Rajaram Jairam Jaipuria, S.P. Virmani, Naval H. Tata and Krishnaraj M.D. Thackersey.**

A former Prime Minister of Australia, **Sir John McEwen,** is to be Australia's official representative at the forthcoming Asia '72 Trade Fair in New Delhi. Sir John McEwen for many years until his retirement was Australa's Minister for Trade and Industry. He has had extensive experience in trading problems and international relations of countries in the Asian region. He will officially open Australia's pavilion on November 10, Australia Day at the Fair.

Mr R.K. Khanna, New Delhi was elected as President and **Mr. S.K. Gupta,** Calcutta was elected as Vice-President of the Institute of Chartered Accountants of India, New Delhi at the council meeting held recently.

Mr P.R. Kamani, Chairman of the Kamani group of industries died in Bombay on October 12, 1972.



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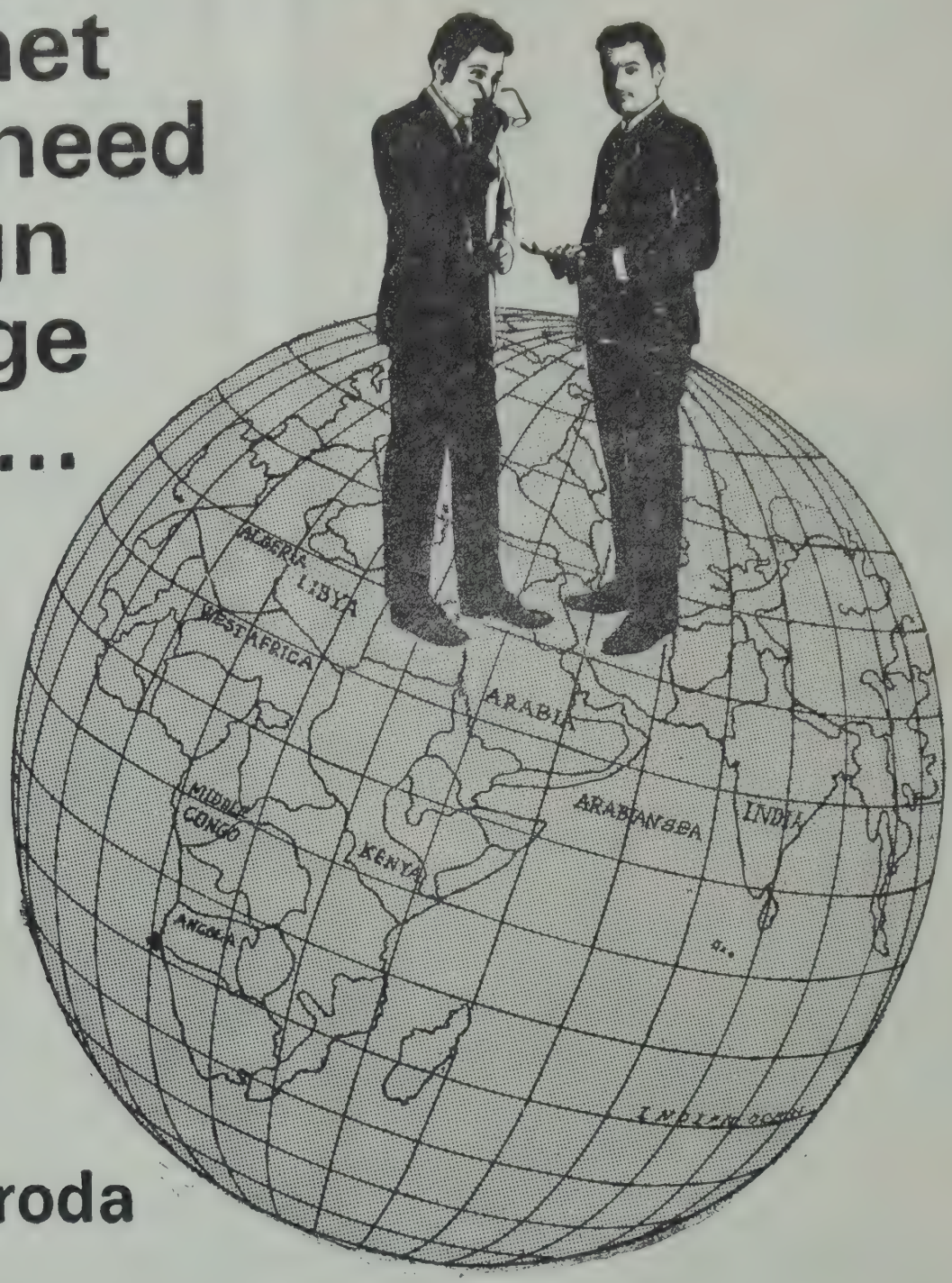
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COMPANY AFFAIRS

Orient Paper

THE BOARD of directors of Orient Paper Mills Ltd hope to pay an equity dividend of 20 per cent for the year ended March 31, 1972 tax free in the hands of shareholders if the required tax exemption certificate is received by the company before making the payment. The two categories of preference shares also get their dividends at the stipulated rates. The company paid an equity dividend of 11.5 per cent in the previous year, the tax exemption application for which is still pending with the income tax authorities. Although production of paper and board during the year was marginally lower at 1.38 lakhs tonnes as compared to 1.39 lakhs tonnes in the previous year, sales went up from Rs 26.73 crores to Rs 28.94 crores. But for the go-slow tactics resorted to by labour at Brajrajnagar as also irregular and inadequate supply of wagons for transport of raw materials, the output would have been significantly higher than the previous year. There was a sharp setback in company's export performance during the year owing mainly due to stiff competition in overseas markets. The company is, however, intensifying its efforts and hence a better show on the export front is anticipated during the current year. Pursuant to company's programme of renovation and modernisation of power plant and pulp section at Brajrajnagar orders for a boiler with the necessary auxiliary equipment have been placed and the work is progressing satisfactorily. The setting up of an integrated pulp and paper mills in Kenya by Pan African Paper Mills (EA) Ltd in technical and financial collaboration with the company is making satisfactory progress and it is expected that the mill will go on stream in 1974. The working during the current year at the Amlai Mills so far has been normal. The labour situation at Brajrajnagar too has improved after the settlement with the workers. Hence significant improvement in working results are expected during the current year.

Hyderabad Allwyn

With an impressive in revenue from sales and works contracts from Rs 7.25 crores to Rs 7.63 crores Hyderabad Allwyn has earned a substantially higher net profit of Rs 19.87 lakhs during the year ended April 30, 1972 as against Rs 5.13 lakhs in 1970-71. The net profit for 1971-72 has been arrived at after providing Rs 14.32 lakhs for depreciation reserve and Rs 0.30 lakh to development rebate reserve. In the preceding year an amount of Rs 14.36 lakhs was provided for depreciation reserve while development rebate reserve was provided with Rs 1.11 lakh. The entire profit and the write-back of Rs 9 lakhs have been utilised to reduce the accumulated deficit to Rs 56.08 lakhs. The company has secured an industrial licence to manufacture 6000 units of commercial refrigeration equipment and letters of intent for producing 1000 bottle coolers, 10,000 room air conditioners, 3,000 water coolers, 6000 deep freezers and 1,00,000 steering gears. Last year the company entered into an agreement with Universal Warszawa of Poland for export of 5000 units of refrigerators. The company will soon introduce in the market deep freezers, double temperature refrigerators and electrically operated cooking ranges. The feasibility of the scooter project is still under discussion with the AP Industrial Development Corporation, the original recipient of letter of intent.

Tata Chemicals

Tata Chemicals Ltd has further improved upon its previous years' impressive performance and this has encouraged the directors to recommend a higher equity dividend of 17 per cent for the year ended June 30, 1972 as against 15 per cent declared for 1970-71. In addition the directors have proposed to issue 10,37,671 equity shares of Rs 10 each on a one-for-five basis at a premium as approved by the Controller of Capital Issues, but not exceeding Rs 5 per share. The proceeds of the proposed rights issues will be utilised to finance partly the company's expansion programme. The company is expanding the soda ash capacity from 600 tonnes to 1000 tonnes a day. The expansion will help relieve to a very great extent the critical shortage of this basic chemical. The preliminary figures released by the company reveal a handsome rise in both sales and profit. While sales spurted to Rs 15.47 crores from Rs 13.38 crores gross profit recorded an appreciable rise to Rs 3.87 crores from Rs 3.60 crores in 1970-71. Out of the gross profit, a sum of Rs 96.06 lakhs was earmarked for depreciation reserve, Rs 40 lakhs for development rebate reserve, and Rs 112 lakhs for taxation as against Rs 86.92 lakhs, Rs 55.50 lakhs and Rs 104.00 lakhs provided respectively in 1970-71. This leaves a higher net profit of Rs 138.60 lakhs as compared to Rs 113.85 lakhs in the previous year. The entire surplus has been transferred to the general reserve. The proposed equity dividend will absorb Rs 88.20 lakhs as compared to Rs 77.83 lakhs in 1970-71 while preference dividend will claim Rs 4.28 lakhs, the same as in the preceding year. The dividends will be paid out of the general reserve.

Glaxo

Glaxo Laboratories (India) Ltd has reported excellent working results which have enabled the directors to enhance the final equity dividend to 11 per cent for the year ended June 30, 1972 as against eight per cent declared for the previous year. With an unchanged interim dividend of six per cent the total distribution for the year comes to 17 per cent as compared to 14 per cent paid for 1970-71. With a smart rise in sales from Rs 29.47 crores to Rs 32.46 crores, gross profit has jumped by about 40 per cent toRs 4.85 crores from 3.49 crores in 1970-71. Out of the gross profit the directors have provided a sum of Rs 50.98 lakhs to depreciation reserve, Rs 4.70 lakhs to development rebate reserve, and Rs 2.58 crores towards tax liabilities as against Rs 41.57 lakhs, Rs 14.50 lakhs and Rs 1.56 crores provided respectively in 1970-71. This leaves a substantially higher net profit of Rs 1.71 crores as compared to Rs 1.37 crores in the preceding year. After adjustments an amount of Rs 1.35 crores was transferred to general reserve as against Rs 96.30 lakhs, in the earlier year. The interim dividend has absorbed Rs 43.20 lakhs, the same as in 1970-71. The proposed final dividend will claim Rs 79.20 lakhs—Rs 21.60 lakhs more than in the previous year and it will be paid out of the general reserve.

ACC

Even before the release of accounts and report for the year ended July 31, 1972, Mr N.A. Palkhivala, Chairman of Associated Cement Companies has attempted to give a comprehensive picture as to how the cement industry in general and the company in particular has fared during the year. In a circular letter addressed to shareholders the chairman has stated that the profitability

of the cement industry has been continuously eroded because of unremunerative price, rising costs and inadequate transport facilities such as the acute shortage of wagons. Little wonder therefore if the year 1971-72 turned out to be again a disappointing year for the company. In order to reduce the impact of wagon shortages the company greatly increased despatches of cement by road. Despite larger despatches by road — 15.89 lakh tonnes in 1971-72 as against 13.25 lakh tonnes in 1970-71 — total despatches of cement have declined from 54.07 lakh tonnes in 1970-71 to 53.17 lakh tonnes in 1971-72. The loss in despatches due to wagon shortage was 8.10 lakh tonnes in 1971-72 as compared to seven lakh tonnes in 1970-71.

The percentage of wagons supplied to the company to those indented also came down to 66.8 in 1971-72 from 72.7 in 1970-71. Wagon shortage had badly hit the whole industry which in 1971-72 worked only 83.8 per cent of its capacity. ACC could utilise 79.6 per cent of its capacity because those of its factories which were worst hit by wagon shortage were some of its largest — Jamul, Chaibasa, Wadi and Shahabad.

The impact of the 13-day all-India strike by cement workers and increase in wages will be reflected in the company's working during the current year. The chairman hopes that the government will allow an increase in cement prices. The company's proposals for expanding to capacities at its Wadi Works and Bhupendra factory and setting up of a new plant in Rajasthan have been turned down by the government as the company is a large house and a dominant undertaking. But with a view to improving the profitability, the company will be exploring new fields in 'core' sector, backward areas and 'joint' sector. which have been kept open for large houses.

Delhi Cloth

Delhi Cloth and General Mills Co Ltd and the Punjab State Industrial Development Corporation (PSIDC) are setting up a project in Punjab for the manufacture of four lakhs automobile tyres and tubes. The PSIDC holds a letter of intent for the project and the project is to be implemented by forming a new company. Under the arrangements negotiated with the PSIDC, Delhi Cloth will in vest in 25 per cent of the initial equity capital issue of the new company and the PSIDC will subscribe 26 per cent. The balance of 49 per cent capital will be offered to the public at a later stage. The management of Delhi cloth has sought shareholders' sanction for investing up to Rs 1.50 crores in 15 lakh equity shares of Rs 10 each of the new company. The approval of the Ministry of Industrial Development has been obtained for the proposed joint sector project.

Aluminium Corporation

Aluminium Corporation of India's project for setting up an integrated aluminium plant in Orissa, for which the company has so far spent over Rs 40 lakhs, has run into rough weather. Pending the government's decision for fixing aluminium prices and excise duty rebate for new units for a period which will enable sufficient retention in the hands of new units to meet the increased cost of production, higher requirement of interest and depreciation charges and adequate return on capital, the directors have no option but to withhold taking further steps for the imeplementation of the project.

The company has so far taken several steps for the excecution of the project. Final negotiations on terms and conditions for loans have been settled. Foreign exchange has been arranged and necessary permission from the Controller of Capital Issues for the issue of additional shares has been obtained and approved by shareholders. Foreign technical collaboration has been approved while the detailed technical engineering of the whole plant has been sufficiently advanced. Steps have also been taken to procure steel, the critical raw material. In the meantime due to tremendous price increase the entire economic of the project has changed, resulting in a sharp increase in the previously estimated cost of the project of Rs 16.5 crores. The investment turnover ratio now stands at 3.7:1 as against 2.5:1 as estimated earlier.

Unit Trust

The sale and repurchase prices of the Unit Trust of India were raised by five paise each to Rs 10.70 and Rs 10.40 respectively with effect from October 13.

Modi Spinning

Modi Spinning and Weaving Mills Co has maintained the equity dividend at 12 per cent on the enlarged capital for the year ended April 30, 1972. The rights shares allotted in December 1971 will be entitled to a pro rata dividend in proportion to the period and amount paid on them.

Sales during the year shot up to Rs 30.87 crores from Rs 28.40 crores while gross profit recorded a smart rise to Rs 1.44 crores from Rs 1.41 crores in 1970-71. The directors have raised the appropriations to all the reserves. The allotment to depreciation reserve from Rs 64.44 lakhs to Rs 68.91 lakhs, to development rebate reserve from Rs 4.75 lakhs to Rs 9.75 lakhs and to taxation reserve from Rs 35 lakhs to Rs 38.50 lakhs. The net profit after these allocations amounted to Rs 27.04 lakhs as compared to Rs 37.14 lakhs in 1970-71. The entire amount has been transferred to general reserve from which the dividends will be paid. The scheme for the expansion of thread mill costing Rs 1.45 crores is progressing satisfactorily. After its completion the unit will be the largest in the conntry.

Frick India

Frick India Ltd has recorded a gross turnover of Rs 2.14 crores during the year ended March, 31, 1972 from Rs 1.75 crores in the previous year, an increase of 23 per cent. The profit after charging all expenses but excluding depreciation and interest amounted to Rs 31.91 lakhs as compared to Rs 28.98 lakhs in 1970-71. Out of this a sum of Rs 7.8(lakhs was appropriated to depreciation reserve, Rs 8.2: lakhs towards meeting interest charges, Rs 8.50 lakhs for a taxation and Rs 6.23 lakhs to general reserve as compared to Rs 8.72 lakhs, Rs 5.93 lakhs, Rs 7.25 lakhs and Rs 8.00 lakhs provided respectively in 1970-71. The directors have recommended a dividend of 10 per cent, the same as in 1970-71, and it will be paid out of the general reserve.

The company has made significant progress in the field of exports. Its exports during 1971-72 amounted to Rs 16 lakhs, a four-fold increase over the previous year's performance. Complete ice plants and air conditioning equipments have been shipped to Malaysia, Indonesia, Ceylon, Vietnam, Philippines, Singapore, Aden, Kuwait and Saudi Arabia. It has obtained large turn key contracts for the supply and installation of complete refrigeration plants for slaughter houses in Greece and Cyprus. Another export order for cold storage equipment worth over Rs 2.5 lakhs has recently been secured from Hong Kong. The exports are expected to rise further during the current year.

News and Notes

Expansion and Diversification

Kothari (Madras) Ltd has finalised plants to start two new industrial ventures in Gujarat and this is the first time that Kotharis are extending their activities outside Tamil Nadu. The two enterprises are a watch time-piece, and clock manufacturing unit with Swiss collaboration and another unit for manufacturing automotive batteries, tram lighting cells and nickel cadmium cells with German collaboration. The decision to diversify and start new industries is a sequel to the director's conviction that industries which used to attract much attention such as plantation, sugar, textile mills and fertilisers have for long ceased to be profitable propositions.

They suffer from several disabilities such as high cost of raw materials, frequent labour unrest, government's changing policies in regard to price control and distribution and the political agitation for nationalising some of these industries.

The directors have therefore, considered that in the circumstances, it will be in the interests of the company by adding suitable industries which may not suffer from the above handicaps. These industries apart from having a good market, are not likely to be regarded essential articles and therefore less liable to any kind of political agitation for price, production or distribution control. The present production of these products is also far below what the country actually needs.

New Issues

Punalur Paper Mills is offering for public subscription at par 10.16 lakh equity shares of Rs 10 each and 50,000 redeemable cumulative preference shares of Rs 100 each carrying a dividend of 9.5 per cent per annum. The subscription list for this fully underwritten issue opens on October 26. The proceeds of the issue will be utilised for financing partly the company's Rs 6.05-crore expansion programme aimed at raising the annual capacity of paper and pulp from 12,500 tonnes to 33,000 tonnes which is expected to be completed by 1973-74.

Shivmoni Tubes Mysore Ltd is setting up a new project at Bangalore to manufacture galvanised and black steel pipes of various sizes ranging from 15 mm to 80 mm nominal bore. The plant will have a production capacity of 36,000 tonnes of steel pipes and tubes per annum. The project is estimated to cost Rs 93 lakhs and it will be financed through term loans of Rs 48 lakhs and the share capital of Rs 45 lakhs. The promoters have agreed to subscribe to equity shares worth Rs 889,500 besides the present paid-up share capital of Rs 710,000. The balance of Rs 29 lakhs comprising 2,40,000 equity shares of Rs 10 each and 5000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each are now being offered to the public for subscription.

Capital and Bonus Issues

Consent has been accorded to five companies to raise-capital amounting to over Rs 12.07 crores. The following are the details:

Rajasthan Spinning and Weaving Mills Ltd., Bhilwara, has been given consent, valid for there months, to capitalise Rs 30,67,160 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of 7 bonus shares for every 13 equity shares held.

Maharashtra Sugar Mills Ltd, Bombay, has been given permission to raise capital worth Rs 37,80,000 out of its general reserve and issue fully paid equity shares of Rs 50 each as bonus shares in the ratio of two bonus shares for every five shares held.

Ram Saran Das and Brothers Private Ltd, Calcutta, has been accorded consent, valid for three months, to capitalise Rs 40,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of eight bonus shares for every 25 equity shares held.

Mangalore Chemicals and Fertilisers Ltd, Bangalore, has been accorded consent, valid for 12 months, for the issue of capital of Rs 11,30,00,000 in equity and preference shares. Out of this, equity shares of the value of Rs 7.30 crores and preference shares worth Rs 1.50 crores will be offered to the public. The proceeds of the issue will be utilised for setting up a feritiliser plant a Mangalore.

Molins of India Ltd, Calcutta, has been accorded consent valid for 12 months, to issue equity shares of the value of Rs 8,30,520 — Rs 83,020 privately and the balance to the public through prospectus. The issue is being made to Indianise the company.

Company Meetings

Frick India Ltd: Registered Office, Main Mathura Road, Faridabad, Haryana; October 31; 4.00 P.M.

Aluminium Corporation of India Ltd: Registered Office, 7, Council House Street, Calcutta; October 31; 4.30 P.M.

The Khatau Makanji Spinning & Weaving Co Ltd: Tata Auditorium, Bombay House, 24, Bruce Street, Fort, Bombay; October 26; 4.00 P.M.

Dividends

Name of the Company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Dalhousie Jute Company	March 31, 1972	10.0	Nil
Fort Gloster Industries	March 31, 1972	20.0	7.5
Champdany Jute Company	March 31, 1972	10.0	Nil
Bally Jute Company	March 31, 1972	14.0	10.0
Anglo-India Jute	March 31, 1972	15.0	7.5
India Jute Company	March 31, 1972	12.0	8.0
Mysore Stoneware Pipes and Potteries	March 31, 1972	13.0	10.0
Indian Hume Pipe	June 30, 1972	12.0**	10.0
Same Dividend			
Ruby Mills	March 31, 1972	8.0	8.0
Kinnison Jute Mills	March 31, 1972	Nil	Nil
Vayitri Plantations	March 31, 1972	6.0	6.0
Landale & Clark	February 29, 1972	Nil	Nil
Crompton Greaves	June 30, 1972	10.0	10.0
Gramophone Co of India	June 30, 1972	17.5*	17.5
National Standard Duncan	June 30, 1972	14.0	14.0

*On increased capital.
**Including two per cent by way of cash bonus.

RECORDS AND STATISTICS

Report on currency and finance : 1971-72

THE YEAR 1971-72 (July-June) witnessed far-reaching political and economic changes, both in the Indian sub-continent and outside; and these changes, coming as they did together, could have had a shattering impact on the internal and international balances of the Indian economy. But as things turned out, the economy continued to be in good shape until fairly recently. In the last few months, only some of the consequences of those changes have been felt, others were still to become manifest in the social and economic spheres. So observes the Reserve Bank of India's *Report on Currency and Finance for 1971-72 (July-June)*, published on October 12, 1972.

The Report presents a detailed survey of developments in various sectors of the Indian economy during 1971-72 against the perspective of changes that have occurred or were occurring, particularly since the great droughts of 1965-67 and devaluation of June 1966. The more important of these changes, relating to the *structure* of the economy, highlighted in the Report are:

the technological transformation in agriculture which has resulted in a higher trend level of output, especially of foodgrains;

growing importance of financial assets in the total savings of households;

declining proportion of currency in aggregate monetary resources and money supply;

growing dependance of private industrial investment on public financial institutions;

a shift in relative prices in favour of the farm sector and a likely increase in rural income inequalities and finally, improvement in foreign exchange reserves position over the last few years.

Saving and Investment

Reviewing the developments during 1971-72, the Report brings out the several factors— many of them of an unpredictable and uncontrollable nature — which have affected the pace of growth in real income during the year. The government of India's *Economic Survey*, 1971-72 had placed the growth rate at four per cent in the national product, but subsequent developments — particularly the shortfall in foodgrains output — suggest that the actual growth rate was less. Notwithstanding this setback, the Reserve Bank's provisional estimates show that during 1971-72 both domestic savings and investment constituted larger proportions of net domestic product at market prices — the former rising from 9.4 per cent in 1970-71 (April-March) to 10.0 per cent in 1971-72 and the latter from 10.5 per cent to 11.5 per cent. Apart from the larger savings of the household sector in the form of financial assets other notable elements in this situation are: a decline in the proportion of public sector savings arising from smaller savings by "Government (Central and State)" and dis-savings by government undertakings; and an increase in the proportion of foreign resources utilized for financing investment. As regards investmnent, indirect evidence presented in the Report suggests larger investment in agriculture as well as in inventory.

Money Supply and Aggregate Monetary Resources

Together with the growth in public sector Plan and non-Plan outlays, unforeseen expenditures incurred by the central government in connection with the conflict with Pakistan necessitated an increase in budgetary deficits, despite additional taxation. Total receipts of the central and state governments (revised estimates) rose by 15.0 per cent during the year as compared with 4.1 per cent increase in 1970-71; their developmental outlays rose by 7.4 per cent (as against 14.3 per cent in 1970-71) and non-developmental outlay by 19.8 per cent (12.1 per cent). The combined overall budgetary deficit of central and state governments increased from the originally anticipated level of Rs 387 crores to 631 crores (revised estimates). This was despite additional resource mobilisation of about Rs 250 crores.

These increases in government expenditures are reflected in the increase in aggregate monetary demand, as evidenced by expansion of money supply with the public (13.6 per cent) as well as of aggregate monetary sources (16.2 per cent) witnessed during 1971-72. Looking at it differently, money supply changes derived mainly from the large increase of Rs 1176 crores in the credit extended by the banking sector to the governments. There was also an expansionary influence on money supply stemming from the change in 'net foreign exchange assets of the banking sector' — which recorded an improvement of Rs 29 crores (as against a decline of Rs 95 crores in 1970-71). On the other hand, though expansion in 'bank credit to the commercial sector' — that is to say, house holds and business enterprises-public and private — at Rs 788 crores was larger than in the previous year (Rs 721 crores), there was an increase of Rs 786 crores in time deposits. In consequence, there was only a nominal rise of Rs 3 crores in '*net* bank credit to the commercial sector'.

Production

The Report brings out that smaller increases in both the agricultural and industrial sectors contributed to the decelebration in the growth of national product. In foodgrains, there was a shortfall in the output of coarse grains (particularly bajra) and pulses; output of total foodgrains is expected to have been about two million tonnes less than the 1970-71 level of 107.8 million tonnes. However, because of accumulated stocks with the government of 8.9 million tonnes in June 1972 the aggregate supply position presents a less gloomy picture than would have been the case otherwise. Among cash crops, cotton and jute have achieved significant increases in output during 1971-72; but the increase in tea production was marginal and the output of oilseeds and sugarcane declined.

As regards industrial output, the growth rate declined further to 2.9 per cent in 1971 from 4.8 per cent in 1970 and 7.1 per cent in 1969. With the exception of *basic* industries which showed some improvement in the growth rate in 1971, all other industrial groups recorded a slower growth. The slackness in industrial growth was attributable to: (1) paucity in certain industrial raw materials, particularly, steel, nonferrous metals, cotton and oilseeds; (2) power and transport bottlenecks affecting particularly coal and cement industries; (3) strained labour relations in such industries as steel and automobiles and (4) slow growth in public sector investment, affecting in particular capital goods industries.

However, during the first quarter of 1972 industrial out-

put recovered and rose by 6.8 per cent (compared to 1.7 per cent in the first quarter of 1971). This increase is due largely to better production of cotton and jute textiles, made possible by larger availability of raw cotton and raw jute.

The increase in aggregate demand as reflected in the expansion of monetary resources occurred at a time when the supply of goods was not increasing commensurately. This imbalance between demand and supply resulted in a pressure on domestic prices rather than on the balance of payments. The general price level rose by 6.8 per cent compared with the increase of 3.1 per cent recorded in the previous year. The pressure of excess demand was more evident after December 1971, particularly since April. The Report has pointed out that almost all commodity groups other than 'industrial raw materials', experienced price spurts. The largest rise of nearly 11 per cent was registered in respect of the "food articles" group, which includes cereals, pulses and sugar.

Credit Policy and Banking Development

Against this general background, the Reserve Bank's credit policy was operated with two main objectives: maintenance of restraint on overall credit expansion by banks; and provision of adequate credit for legitimate productive purposes in general and for priority sectors and hitherto neglected sectors in particular.

Over the year 1971-72, the total scheduled commercial banks' credit registered an increase of Rs 614 crores (12.9 per cent) as compared with an increase of Rs 550 crores (13.1 per cent), in 1970-71 (June-July). However, accretion to bank — deposits during 1971-72 at Rs 1308 crores (21.0 per cent) was much larger than in 1970-71 Rs 941 crores (17.9 per cent). As a result, the credit-deposit ratio in respect of scheduled commercial banks fell from 76.6 per cent at the end of June 1971 to 71.5 per cent at the end of June 1972. The greater liquidity of the banking system was reflected in a number of other elements: substantial increase in the banks' investments in the government and other approved securities; additions to cash balances with the Reserve Bank and lower borrowings from the Reserve Bank consistently all through the year; and absence of much seasonal pressure during the conventional busy season in 1971-72. The increases in advances to the 'priority sectors' were slightly lower than in 1970-71, as a result of the banks placing emphasis on improving the quality of lending and consolidating the gains achieved hitherto.

The brisk pace of branch expansion witnessed after nationalisation of the 14 major banks was maintained during 1971-72. Commercial banks opened 1612 offices during the year 1971-72 as against 1890 in 1970-71. The number of branches opened during the year was somewhat smaller, largely because of difficulties experienced by the banks in establishing branches in the more remote areas and in securing an adequate number of trained staff. But the emphasis on widening the territorial spread of branches continued during the year; the proportion on bank offices in rural and semi-urban areas increased from 69.0 per cent of the total at end June 1971 to 70.6 per cent at end June 1972.

Rural Credit

In pursuance of the policy of directing credit to agriculture on a priority basis, several measures were taken during the year. Measures pursued in this behalf aimed at (i) strengthening the co-operative credit structure at all levels, (ii) rationalising the lending policies and procedures of cooperative credit institutions, (iii) providing institutional support to land development banks for ordinary debenture programme and (iv) assisting backward classes like tribals, adivasis, etc., in marketing forest produce. In addition, commercial banks implemented special schemes for facilitating a larger supply of credit to farmers, especially in backward areas and for assisting intensive agricultural development. Simultaneously, in the sphere of term lending for agriculture, institutions like the Agricultural Refinance Corporation, and the Rural Electrification Corporation have disbursed more funds and made larger commitments during the year.

Budgets and Public Debt

In 1971-72, aggregate receipts (revenue plus capital) of the central government (revised estimate) showed an improvement of Rs 908 crores (to Rs 7,152 crores) over the budget; this improvement was on both revenue and capital accounts, receipts under which increased by Rs 354 crores and Rs 554 crores, respectively. This was, however, more than offset by increase in aggregate disbursements which, at Rs 7,537 crores, exceeded the budgeted provision by Rs 1,060 crores; while revenue expenditure increased by Rs 520 crores over the budget estimates, capital disbursements rose by Rs 540 crores.

The increase in total expenditure, however, was entirely in respect of items which did not result in capital formation; expenditure on captial formation declined to Rs 2,176 crores — a fall of Rs 42 crores from the budgeted level. Direct gross capital formation (gross fixed capital formation plus increase in inventories) at Rs 611 crores was lower than the corresponding budgetary provision by Rs 31 crores. Direct gross fixed capital formation amounted to Rs 592 crores — Rs 45 crores lower than the budgeted amount, mainly under transport and communications.

Viewed against this shortfall, a step up of Rs 710 crores (to Rs 3,973 crores) in the public sector Plan provision should be considered a major feature of the central budget for 1972-73. Of the total public sector Plan provision, Rs 2,569 crores are provided in the central budget. The provision for central and centrally-sponsored schemes shows an increase of 23 per cent or Rs 332 crores to Rs 1,787 crores) over 1971-72 (budget estimates). The sharpest increase (over 53 per cent) is in respect of social services indicating the government's concern for combining economic growth with social justice.

The state governments in their budgets for 1971-72 had taken credit for aggregate receipts on revenue and capital accounts (at 1970-71 rates of taxation) at Rs 5,505 crores as against estimated disbursements of Rs 5,745 crores. The revised estimates for 1971-72 however, show an improvement of Rs 722 crores in aggregate receipts which was more than offset by a step-up of Rs 814 crores in the total disbursements; as a result, the overall deficit of states was at Rs 246 crores considerably higher than the budgeted deficit of Rs 154 crores.

For 1972-73, aggregate receipts of state governments (at 1971-72 rates of taxation) are estimated at Rs 6,526 crores while aggregate disbursements are placed at Rs 6,633 crores. There will thus be an overall deficit of Rs 107 crores, made up of deficits of Rs 30 crores and Rs 77 crores on revenue and capital accounts, respectively.

Capital Market

Because of the strains on the economy referred to earlier, the capital market remained subdued in the earlier part of the year. It recovered somewhat in 1972, but there has been some change in sentiment again in recent months.

The gilt-edged market ruled generally steady during 1971-72. The down-trend in equity prices continued till the second week of December 1971 after which there was a noticeable recovery for some months. New capital issue activity improved during 1971-72 with a sharp rise in debenture issues. Consents granted for the issue of shares and debentures during 1971-72 (July-June) were substantially higher than in the previous year. However, the capital raised by non-government public limited com-

panies in 1971 was lower than in the preceding year. Financial assistance sanctioned and disbursed by the term-lending institutions continued to rise.

Developments in Trade

According to the Report, India's trade deficit, which had narrowed down considerably in 1969-70 and 1970-71, widened during 1971-72. Based on DGCIS data the trade deficit in 1971-72 (April-March) is estimated at Rs 286 crores (Rs 99 crores in 1970-71). This sharp increase was due to the slower rate of growth of 2.1 per cent in exports recorded in DGCIS figures.

In assessing the 1971-72 export performance in relation to 1970-71, allowance has to be made for the change in procedure for recording exports (from the finally passed shipping bill to the original copy of the shipping bill) adopted by the DGCIS with effect from November 1, 1970. While, in the absence of concrete data, the exact growth rates cannot be easily determined, there is little doubt that the growth rates derivable from DGCIS figures are an overestimate for 1970-71 and an under-estimate for 1971-72.

Trade data for the first quarter of 1972-73 (April-June) which are comparable with those for the corresponding quarter of 1971-72 show a significant improvement in exports, the respective figures being Rs 451 crores and Rs 374 crores, i.e. an increase of 20.6 per cent.

Imports, which had risen somewhat (3.3 per cent) in 1970-71 increased sharply in 1971-72 (April-March), by Rs 219 crores (13.4 per cent) to Rs 1,853 crores. This was necessitated by the shortfalls in domestic production of certain essential raw materials; the liberalised import policy followed in respect of maintenance imports was also a contributory factor.

Exchange Reserves and Balance of Payments

During the year 1971-72 (July-June) the reserves increased by Rs 59 crores to Rs 846 crores. A part of the improvement, however, reflected the appreciation in the value of some of the reserve assets resulting from changes in exchange rates. Excluding this, the improvement in reserves would work out to Rs 43 crores. In 1970-71, the reserves had declined by Rs 50 crores to Rs 787 crores at the end of June 1971; however, repurchases from the IMF and the purchase of gold for the payment of additional gold subscription to the IMF, had meant a sizeable outgo of Rs 124 crores from the reserves in that year. But for these transactions, the reserves would have shown an increase of Rs 72 crores in July 1970—June 1971, or Rs 29 crores more than the increase this year.

The Report presents the balance of payments data compiled by the Reserve Bank for the period January-September 1971. These data (like those of based on DGCIS) show a widening of the trade deficit from Rs 241 crores during January-September 1970 to Rs 393 crores during January-September 1971, an increase in the net deficit on 'invisibles' account, including official transfer payments, from Rs 16 crores to Rs 42 crores, and consequently, a sharp rise in the 'current' account deficit from Rs 178 crores to Rs 435 crores. Under 'errors and omissions', the inflow of Rs 24 crores during January-September 1970 gave way to an outflow of Rs 16 crores during January-September 1971. The current account deficit thus amounted to Rs 451 crores, or Rs 218 crores higher than that for the same period of last year. However, the inflow on capital account was in January-September 1972, larger by Rs 139 crores mainly as a result of larger drawings on external loans. This made it possible for the reserves to rise by a small amount of Rs 38 crores. During this period, reserves benefited further to the extent of about Rs 13 crores from valuation changes following the floating of the major world currencies.

The balance of payments data throw an interesting light on the growth rate in exports during the past two years. For the first nine months of 1971, these data place exports at Rs 1,068 crores, showing an *increase* of 4.5 per cent, as compared with a *decline* of about two per cent during the corresponding period of 1970. This bears out the point made earlier that 1970-71 growth in exports based on DGCIS data was an overestimate and that relating to 1971-72 was an underestimate.

International Monetary Situation

The Report presents a lucid review of the international monetary situation which turned critical early in the year, following the US announcement on August 15, 1971, of suspension of convertibility of the US dollar into gold or other reserve assets and a 10 per cent surcharge on all dutiable imports. Subsequently an attempt to restore stability in international monetary relations was made in December 1971 under what has since come to be known as the Smithsonian Agreement. This Agreement provided for a realignment of the exchange rates of major currencies and widening of the margin for fluctuations to 2.25 per cent on either side of the central rates. A little more than one-fourth of the Fund members established central rates, while the remainder either adopted new par values or continued to maintain the existing par values in terms of gold. India declared a central rate in terms of sterling together with the wider margin. The central rate for the rupee was fixed at Rs 18.9677 per pound sterling; at this rate, the rupee stood apreciated by three per cent in relation to the US dollar and depreciated by 5.1 per cent in relation to the pound sterling and between three and 12 per cent *vis-a-vis* other major currencies.

Later on, as pressures built up on Sterling, the UK authorities decided in June 1972 to allow the Pound to float on the exchanges so as to avoid serious loss of reserves. The median rupee-sterling rate was marginally varied to Rs 18.80 to the Pound on July 4, 1972 under which the rupee appreciated by 0.89 per cent against sterling. By the end of July 1972, the pound had depreciated by about six per cent in comparison with the old central rate of $ 2.60—£1. Against non-sterling currencies, the rupee has depreciated by about five per cent on account of the floating of the pound sterling.

In this regard, the Inter-Ministerial Group of 24 which met in Caracas in April 1972 considered the need for effective representation for developing countries in the key areas of decision-making on international monetary issues. The Group decided to support the creation of a 'Committee of Twenty' of the Fund's Board of Governors — a decision which was endorsed by the UNCTAD in Santiago in May 1972.

Besides, the 'Group of 24' strongly supported the idea of new activation of SDRs from January 1, 1973 and fully endorsed the need for establishing a link between additional development finance and SDRs.

On June 27, 1972, the Fund announced the formation of an Ad-hoc Committee of its Board of Governors consisting of representatives of both industrial and less developed countries, on the 'Reform of the International Monetary System and the Related Issues'.

Scope and Contents of the Report

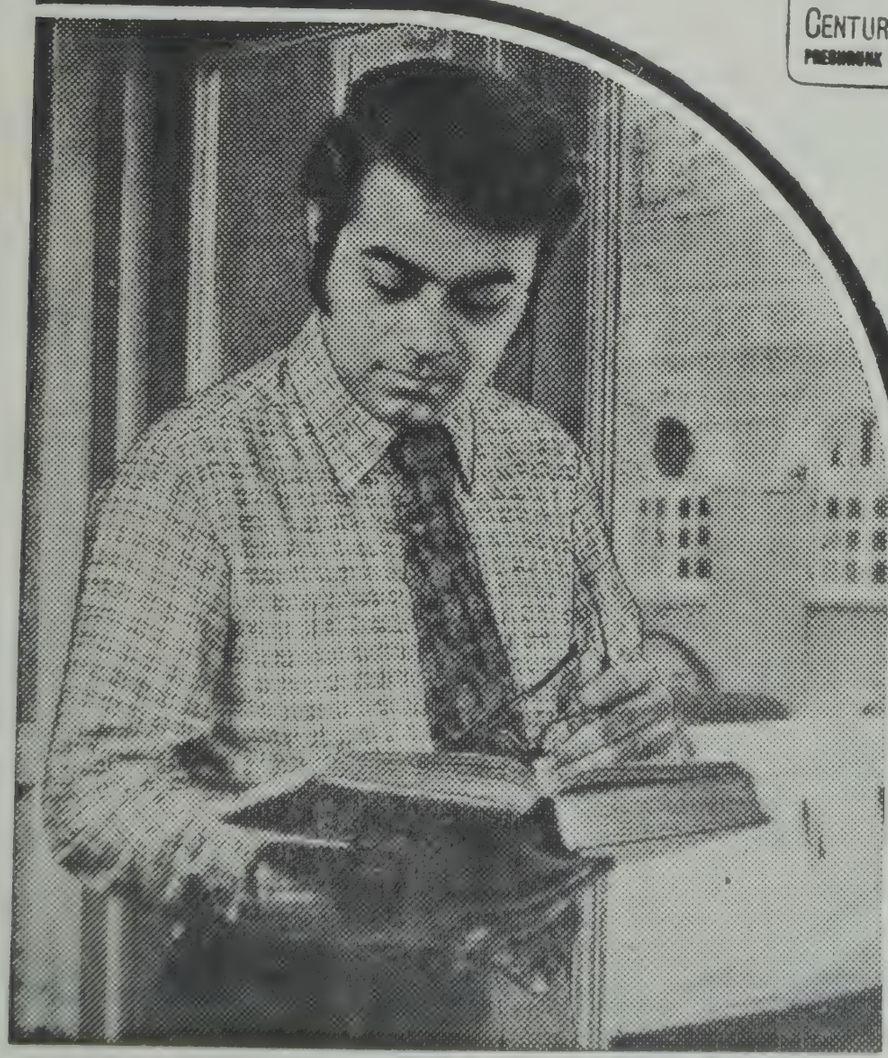
Unlike in the last two years the Annual Report of the RB is not reproduced as part of this Report. Instead, the Currency Report summarises the structural changes that have occurred in recent years as an introduction to the changes in 1971-72. More importantly, it presents preliminary estimates of aggregate savings and investment in the economy as well as a brief analysis of their components. This is the framework into which the d

COTTON COMFORT OF THE CENTURY

The cool comfort of a great cotton fabric made by Century ... Cosy-Cot. When it comes to comfort, nothing beats cotton ... cotton that's cool, absorbent, care-free. You feel the difference when you wear a shirt made out of Cosy-Cot. COSY-COT WITH NEVER-BEFORE DESIGNS, CLEVER-WOVEN INTO A RICH RICH TEXTURE. PRE-SHRUNK FOR FINE LONG WEAR AND LASTING SHAPE.

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tails of monetary and real changes are fitted.

To enhance the analytical usefulness of the information presented, the chapters scheme and tables have been reorganised. Changes in the monetary and banking spheres are examined in terms of their relationship to the activities of the principal spending agencies in the economy. They are also viewed against variations in physical supplies, prices and institutional factors. Likewise, matters of foreign trade, aid and balance of payments are examined in an integrated way. Besides a consolidated picture of the central and state governments' activities, the Report also gives an overall analysis of funds mobilised through the capital market by government, semi-government and autonomous institutions and the private corporate sector.

Though the Report has been made more compact this year, its role as a source of detailed and authentic information on a variety of economic factors has been preserved. The Report incorporates in 12 appendices information relating to Banking Commission recommendations, selective credit controls, important changes in import and export control measures, trade and payment agreements, trends in gold and silver prices, company legislation, etc. And in a final section of 111 statistical statements, it brings together virtually all of the quantitative data relevant for judging the dimensional and structural changes in the Indian economy in the last two decades.

Distribution system for essential commodities

AT THE Ahmedabad session of the All India Congress Committee (AICC) a resolution on distribution system for essential commodities was approved which affirmed the promise made by the Congress party to the people regarding taking over of the wholesale trade in foodgrains by the state. The resolution stated that such a take-over achieved through monopoly procurement should be dovetailed into an effective system of retail distribution, holding of buffer stocks and appropriate price policy. The resolution stressed in particular the importance of increasing the production of foodgrains through increased inputs. At the same time, the resolution appealed to the people to ensure an atmosphere of austerity and self-discipline in preventing wastage of foodstuffs and other articles of mass consumption. Full text of the resolution is given below :

The AICC has reviewed the current economic situation with special reference to recent spurt in prices, causing great hardship to the people and particularly the poorer sections of the population. The AICC views the situation with grave concern and calls upon the Government to take immediate steps as outlined in this Resolution to arrest and reverse the upward trend in prices.

2. The last year witnessed certain special circumstances that added to the usual pressure on prices in a developing economy. The drop in foodgrains production by about 4 million tonnes in 1971-72 under the influence of unfavourable seasonal conditions compared to the previous year was an important factor. The sluggish growth in industrial production further served to limit supplies of many essential articles. On the demand side, the impact of budgetary policies, which compelled additional expenditure on account of the needs of defence and development as well as on refugees from Bangla Desh further accentuated the inflationary pulls.

3. The Party has given to the people a clear and unequivocal commitment that supplies of essential commodities at reasonable prices will be ensured, especially to the vulnerable sections of the community. The present situation emphasises the paramount need for urgent steps to carry out this commitment and draw up on a priority basis a well-considered distribution system.

4. The aim must be to establish a public distribution system that will cover essential commodities of mass consumption including :

(i) Cereals (wheat and rice);
(ii) Sugar;
(iii) Edible Oils;
(iv) Kerosene and
(v) Standard Cloth.

A beginning should be made to cater to the vulnerable sections, both in rural and in urban areas.

5. A public distribution system can be a success only if Government has control over the wholesale trade in the aforementioned commodities. The dual market, as exists at present for sugar, can only be treated as a temporary expedient. The AICC would therefore reaffirm the promise made to the people on taking over the wholesale trade in foodgrains by the State. Such a take over achieved through monopoly procurement should be dovetailed into an effective system of retail distribution, holding of buffer stocks and appropriate price policy.

6. While measures of long-term nature have to be put into operation to improve production in Agricultural and Industrial Sectors, urgent steps have also to be undertaken to explore and exploit in full the scope available for augmenting production in the current year. The AICC welcomes Government initiative in embarking upon an intensive programme for improving agricultural production in the kharif season to make up for the short-falls that have occurred already du to drought and floods. Prel minary steps for more intensi rabi and summer productio next year will also have to t taken on hand without dela To this end, the AICC urges t Government to ensure th credit, inputs such as seeds a fertilizers and technical g dance, are made available time to the medium, small a marginal farmers so that t additional production and come as a result of these sch mes may accrue to them.

7. Besides cereals, spec attention needs to be given f stepping up production pulses, oil-seeds, cotton a sugarcane. Adequate avai bility of these items is a mat of prime concern to the co sumers. On the availabil of raw cotton and sugarca depends the production a employment prospects in t textiles and sugar industrties

8. The AICC would a draw attention to the need build up adequate rese stocks of essential commo ties by suitable measures procurement. As a result sizeable reserve stocks of whe rice and coarse grain avaia to Government, it has b possible to meet the spe needs in recent months drought-affected areas and sure uniterrupted suppl However these stocks need to be replenished by su tantial procurement in the r crop season.

9. The only lasting rem for significant increase in pri is to increase production supplies in the market. T will call for both more inv ment and for a better util tion of resources already vested. Immediate action removal of shortages in wer, bottlenecks in trans and scarcity in supply of raw materials needs to be tiated. The effectiveness of measures adopted for purpose will also need to kept under constant review

10. Effective action on price front will call for certed effort not only on part of the Government at Central and State levels

will also depend for its success on the positive response that is generated among the producers and consumers. The Congress Party is already committed to the grant of adequate incentives to the farmers and working classes. It reaffirms this commitment. The AICC calls upon the people to rally behind a campaign for proper consumer response to resist, by community action, the anti-social practices of hoarders and black-marketeers.

11. The success of such a programme cannot be ensured without an effective toning up of the present administrative apparatus, in order to make it more responsive to the needs of the masses of the people. This also requires popular cooperation, particularly at the local level, to fight corruption and maladministration and ensure that all the efforts made by Government in procuring essential commodities are not defeated by administrative weaknesses and failures in the distribution system.

12. The present difficulties facing the country, particularly with millions of our people in different States hard hit by drought and cyclone, demand the utmost restraint in consumption. The AICC appeals to all to cooperate in ensuring an atmosphere of austerity and self-discipline — with particular emphasis on preventing wastage of foodstuffs and other articles of mass consumption.

13. The AICC appeals to all Congressmen to work with determination and dedication in mobilising public opinion and action in favour of the measures now proposed and thus help Government to meat this challenge.

In *Eastern Economist* dated October 13, 1972, the Economic Policy Resolution presented at the AICC session was printed in full on page (833). The resolution was adopted by the AICC after adding the following paragraph in the economic and science technology policies of the government:

"The economic and science technology policies of Goervnment should be closely integrated so as to markedly reduce our dependence on external technological assistance. Apart from the financial burden it imposes, such dependence places serious constraint on the capacity for self-generating growth. The AICC urges Government to accelerate the development of our scientific and technological competence so that we are in a position to generate the entire resource base within the country in the fields of food production, energy and defence equipment."

Land ceilings

IN PURSUANCE of the decisions of the chief ministers' conferences on land reforms, the union ministry of Agriculture has circulated to the state governments a set of guidelines pertaining to level of ceiling, unit of application, retrospective effect, exemptions, distribution of surplus land and target date for enactment of new laws. It was also mentioned that all the amended laws should be included in the Ninth Schedule to the Constitution.

Regarding implementation, it was clarified that it would be the responsibility of the state governments and they should set up non-official bodies at appropriate levels and place competent officials organisations for administering the ceiling legislations. They must obtain the concurrence of the central government in respect of any incidental departure from the guidelines necessitated by the special conditions prevailing in any state or union territory.

According to these guidelines, the best category of land with assured irrigation which was capable of yielding at least two crops a year should have a ceiling within the range of 10 to 18 acres, depending upon the fertility of soil and other conditions. Allowance could be made for land irrigated from private sources and capable of growing at least two crops in a year by equating 1.25 acres of such land with one acre of land, irrigated from public sources and capable of growing at least two crops in a year. The ceiling for such land irrigated from private sources should not, however, exceed 18 acres, it added.

It was further explained that the term 'irrigation from private sources' meant tubewell or lift irrigation from a perenial water source operated by diesel and/or electric power. If a tubewell or lift irrigation from a perennial water source operated by power was provided after the promulgation of the ceiling legislation, there would not be any reclassification of land, reducing the area permitted prior to such construction to the category of 10 to 18 acres.

All the state governments are expected to amend their existing ceiling laws by the end of Decenber, 1972. However, some state governments pointed out that pending the amendment of ceiling laws, the farmers might be reluctant to invest in new private irrigation works under the apprehension of reduction of area. It was also explained that the Emergency Food Programme placed a great deal of emphasis on the construction of private irrigation works. In view of this, the goverment of India also advised the state governments that private irrigation works constructed subsequent to August 15, 1972, should have the same effect on classification of land as if they were after the promulgation of ceiling laws. The state governments were asked to maintain an accurate record of private irrigation works so completed after August 15, 1972, to serve as an authoritative reference, while classifying the land of individual farmers, for the purpose of the ceiling law. Following is the text of the guidelines:

Level of Ceiling

(i) The best category of land in a state with assured irrigation and capable of yielding at least two crops a year should have ceiling within the range of 10 to 18 acres, taking into account the fertility of soil and other conditions.

Allowance may be made for land irrigated from private sources and capable of growing at least two crops in a year by equating 1.25 acres of such land with one acre of land irrigated from public sources and capable of growing of least two crops in a year. The ceiling for such land irrigated from private sources shall not, however, exceed 18 acres.

The term "irrigation from private sources" shall mean irrigation from tubewell or lift irrigation from a perennial water source operated by diesel and/or electric power.

There will be no reclassification of land falling within the categroies referred to in clauses (ii) and (iii) below for the purpose of the ceiling law consequent upon the completion of a private irrigation scheme subsequent to the August 15, 1972.

(ii) In the case of land having assured irrigation for only one crop in a year, the ceiling shall not exceed 27 acres.

(iii) For all other types of land the ceiling shall not exceed 54 acres. In areas where there is potential for sinking tubewells the ceiling for dry lands may be kept below 54 acres in the discretion of the state government.

(iv) In special cases like desert areas and hilly areas the ceiling for category (iii) may have to be relaxed. The state governments may discuss specific cases with the Ministry of Agriculture before formulating their ceiling laws.

(v) In the case of owners with holdings consisting of different types of land, the total holdings after converting the better categories of land into the lowest category shall not exceed 54 acres.

Unit of Application of Ceiling

(i) The unit of application of ceiling shall be a family of five members, the term "family" being defined so as to include husband, wife and minor children. Where the number of members in the family exceeds five, additional

land may be allowed for each member in excess of five in such a manner that the total area admissible to the family does not exceed twice the ceiling limit for a family of five members. The celing will apply to the aggregate area by all the members of the family.

(ii) Where both the husband and wife hold lands in their own names, the two will have rights in the properties within the ceiling in proportion to to the value of the land held by each before the application of ceiling.

(iii) Every major son will be treated as a separate unit for the purpose of application of ceiling.

It should be ensured that there is no discrimination between major children governed by different systems of personal laws.

Retrospective Effect

The amended ceiling laws should be given retrospective effect from a date not later than January 24, 1971. A specific provision should be made in the ceiling law making it clear that the onus of proving the bonafide nature of any transfer of land made after that date will be on the transferor.

Exemptions

(i) The exemptions in favour of plantations of tea, coffee, rubber, cardamom and cocoa should continue;

(ii) Lands held by the Bhoodan Yagnya Committee, cooperative banks, nationalised banks, central or state governments and local bodies should continue to enjoy exemption. Similarly land held by industrial or commercial undertakings for non-agricultural purposes should be exempted from the ceiling law;

(iii) In the case of registered cooperative farming societies exemption may be granted with the stipulation that while computing the ceiling area for a member his share in the cooperative society will be taken into account along with his other lands;

(iv) Land held by Agricultural universities, Agricultural colleges, Agricultural Schools and research institutions should be exempted from the ceiling law:

(v) State governments may, in their discretion, grand exemption to the existing religious, charitable and educational trusts of a public nature. The institutions or trusts will not be exempted from the operation of tenancy laws and all the tillers of the land should be brought in direct relationship with the trusts or institutions to the exclusion of all intermediary interests.

No exemption should be allowed to private trusts of any kind.

(vi) In the case of existing Gowshalas of a public nature and existing stud farms, the state governments may take a decision in consultation with Ministry of Agriculture.

(vii) No exemption should be allowed in the case of sugarcane farms. However, for the purpose of research and development, sugarcane factories may be permitted to retain an area not exceeding 100 acres.

(viii) For the purpose of ceiling the existing orchards may be treated as dry land and no additional land should be allowed to be retained as recommended earlier. Coconut and arecanut gardens, Banana orchards and Vineyards will not be treated as orchards.

(ix) All other existing exemptions including that in respect of lands given as gallantry award should be withdrawn.

Compensation

(i) Compensation payable for the surplus land on imposition of ceiling laws should be fixed well below the market value of the property so that it is within the paying capacity of the new allottees.

(ii) The Compensation may be fixed in graded slabs and preferably in multiples of land revenue payable for the land.

(iii) The scheme for compensation should be worked out in such a manner that there will be no financial burden on the central and state governments.

Distribution of Surplus Land

While distributing surplus land, priority should be given to the landless agricultural workers, particularly those belonging to Scheduled Castes and Scheduled Tribes.

Target for Enactment

The amended ceiling laws should be enacted by December 31, 1972.

Implementation

Implementation will be the responsibility of the state governments. They would set up non-official bodies at appropriate levels and place competent official organisation in order to administer the ceiling legislation.

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Dated, the 25th Sept., 1972

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Chairman

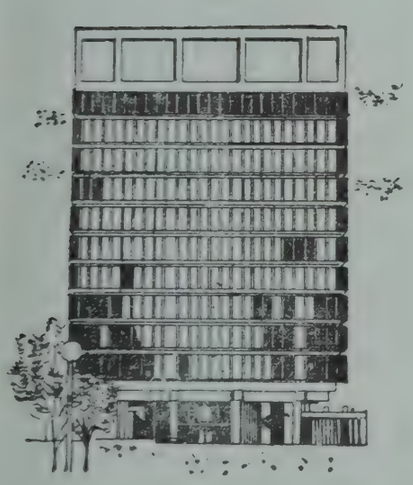
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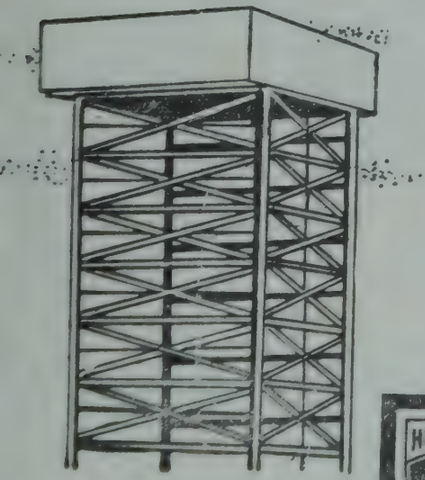
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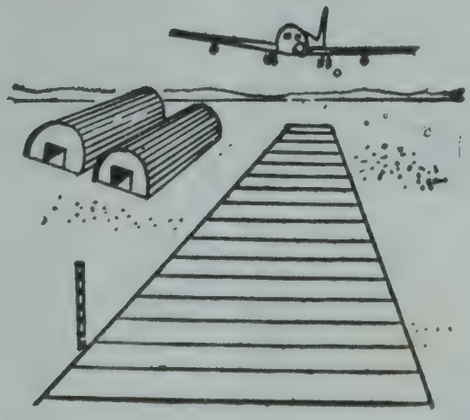
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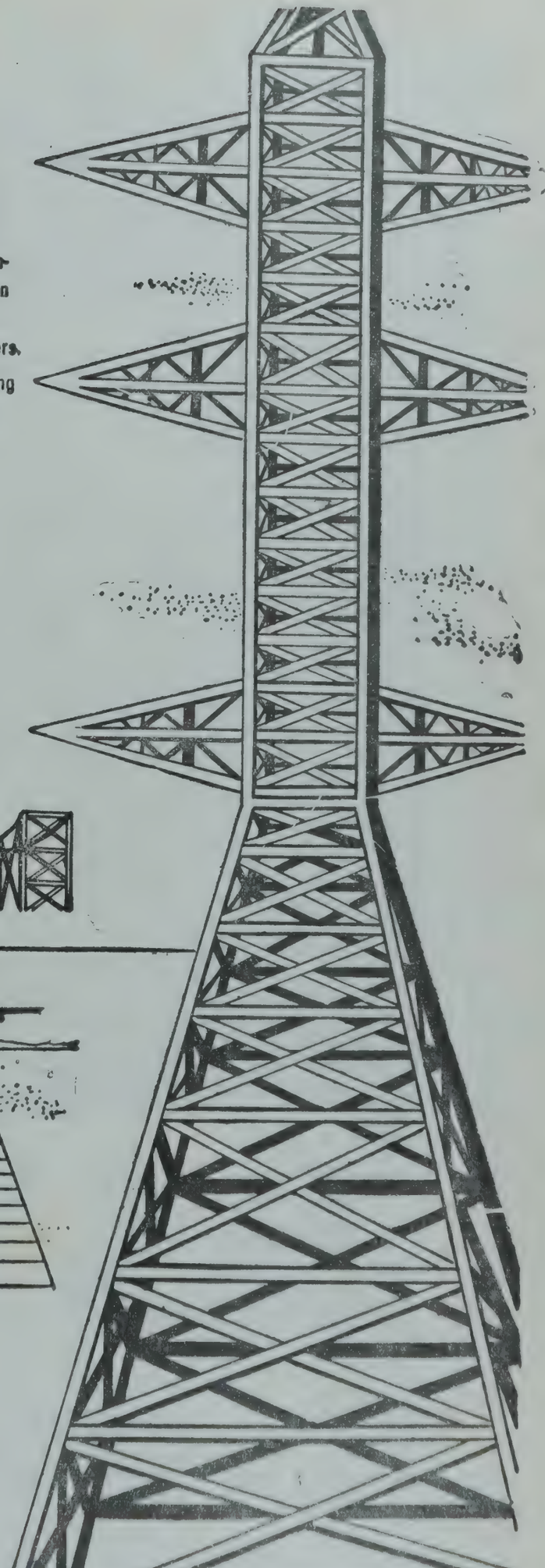
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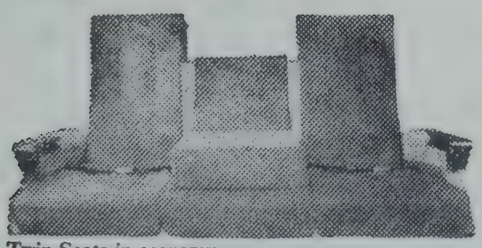
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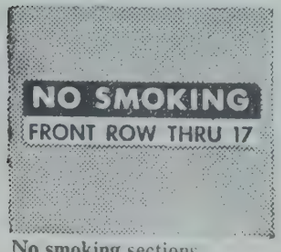
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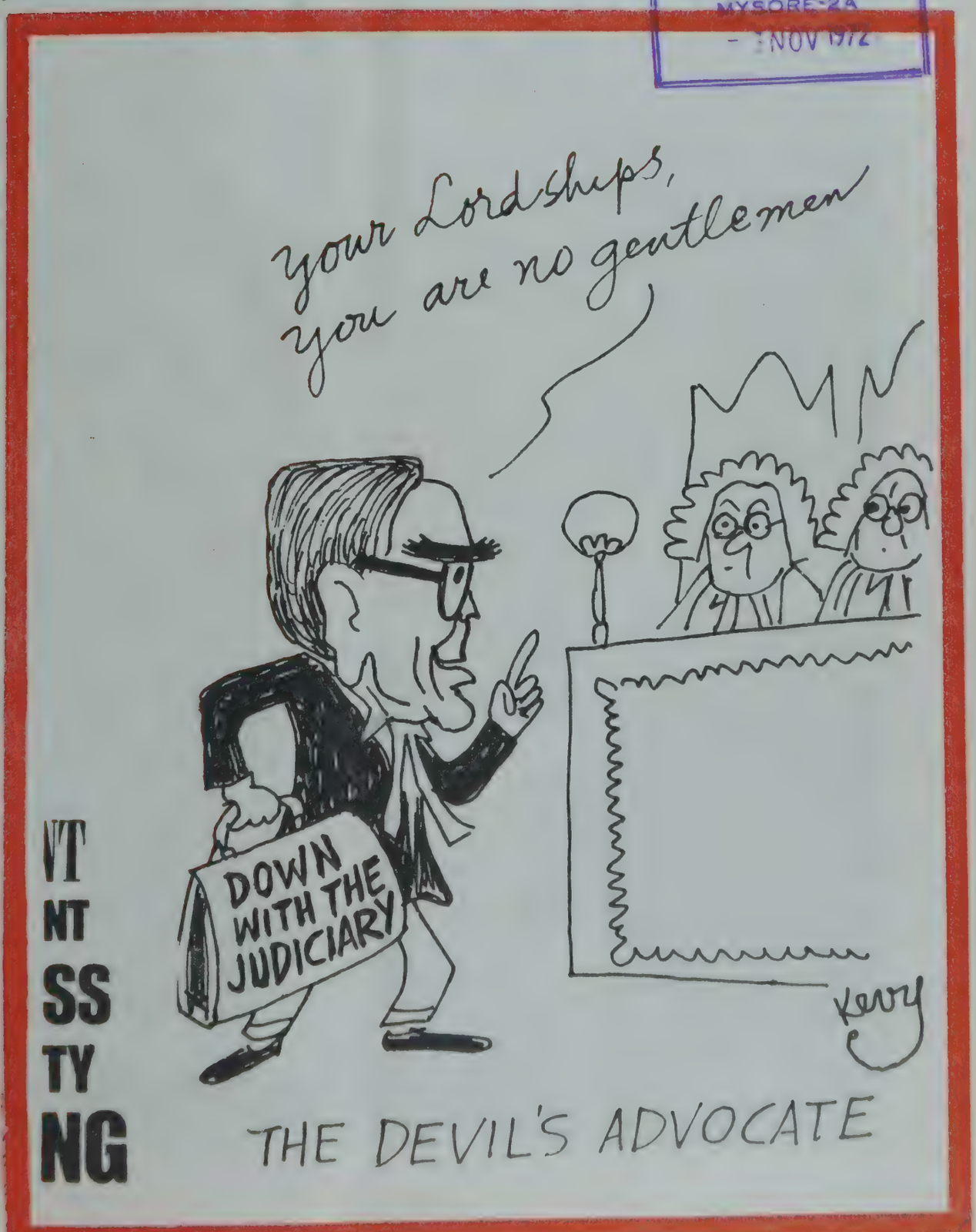
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A good word for Dhar

THERE IS more than mere virtuosity in the recent verbal performances of our latest Minister for Planning. Mr D. P. Dhar has undoubtedly made a solid contribution towards preventing the planning process from going altogether on the wrong track. In the first place he has given courageous battle to the lopsided notions of the draft approach to the fifth Plan which his predecessor Mr C. Subramaniam had so laboriously put together. As this journal had pointed out at that time, Mr Subramaniam's 'approach paper' suffered from the grave defect that, even while shouting for the highest priority for anti-poverty programmes, it had in fact bid farewell to the very principle of priorities. It was indeed most amusing that the then Minister for Planning should propose the pledging of vast physical and financial resources to the war on want without indicating how the production and investment capacities of the economy were to be built up for the purpose. It goes to the credit of Mr D. P. Dhar that he has the political courage to recognize and state the fact that economic growth remains the basic requirement for any anti-poverty programme. It is surely no mean achievement that the Planning Minister has attempted to make 'growth' respectable again in the politics of his party.

Mr Dhar's acceptance of 'growth' as a legitimate purpose of planning and more particularly, the next five-year Plan has led him logically to take a more rounded view than Mr Subramaniam of what will have to be attempted in the industrial sphere in the coming years. While it is indeed necessary that the expansion of production or investment in the consumer goods industry should be emphasised as an indispensable means of improving the living conditions of the poor and the vulnerable sections of the community, it must also be understood that consumer goods production cannot grow in a vacuum. To a very large extent shortages in consumer goods are the end-results of poor or inadequate investment planning with regard to the production of raw materials, capital or intermediate goods. This is why the Federation of Chambers of Commerce and Industry, in a brochure on "Planning for Results", has found that it cannot stop with paying the homage to the goddess of consumer goods alone. It has been stated in this brochure that industries which will have to provide the inputs for the expansion of consumer goods industries will also have to be developed simultaneously with the consumer goods industries themselves. Mr Dhar's statement that the fifth Plan cannot afford to ignore the priority claims of the core sector of the economy is therefore very much to the point. There is no gainsaying the fact, that without the expansion of resource generating industries, the nation cannot improve its capacity to employ more people or raise the level of incomes of those for whom it has found work. It has always been important in planning that a proper balance should be maintained in the components and directions of growth and it has now become all the more necessary to do so because, due to various factors, grave imbalances have crept into our economy.

Here, again, Mr Dhar was right in bewailing the lack of progress in recent years in areas such as steel or oil. He was wrong, however, in blaming this wholly or even mainly on an absence of the necessary political will in the ruling party as it was before (the more or less) great split. To argue that Mrs Gandhi had to become the arbiter of the nation's political destinies before its economic salvation could become possible is more than a bit too thick. Take, for instance, the case of steel. Is it not a fact that the main reason for more steel capacity not being created in the public sector is the chronic inability of the state steel plants which have already been established, to work efficiently or close to their installed capacities? Whatever organization or know-how the government may have in the steel industry have been mortgaged to a continuing struggle to keeping these steel plants going some how. Again, with the very considerable capital investment in these plants failing year after year to pay its way, a grave problem of financial resources has also been created in respect of the further expansion of steel capacity in the country. It is conceivable that there would have been substantially more steel capacity by now had the public sector in steel been able to reach a reasonable level of efficiency.

In the case of petroleum products, the Planning Minister was fully justified in deploring the lack of enterprise in respect of exploration. Politics, no doubt, has been responsible for this, but in a way different from what Mr Dhar has implied. What with Dr Triguna Sen earlier and Mr Gokhale subsequently as the ministers responsible for this contest, petroleum development has had to make do with absentee ministers in the fashion of absentee landlords. Terrified of taking responsibility for decisions which could be politically explosive, these ministers have left things to drift. More generally, if there has not been proper development in the core industries, as in other industries, from the middle sixties onwards, it has been partly because no proper economic climate has been developed for the generation of resources or the promotion of investment in the economy and partly because, as in the case of the aluminium,

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fertilizer and special steel industries among others confused policy-making and cumbersome licensing procedures have wasted national time and frustrated individual or institutional efforts. It is important that Mr Dhar should see these matters in perspective if it is his intention that the future should benefit from the mistakes of the past.

The question is whether the Planning Minister is indeed sincere about objectivity. Once he has recognized the importance of the rapid and adequate development of the core sector, he cannot really quarrel with the tools that he could usefully employ. It follows that he must not only think a little more but also think a lot more clearly on the subject of the joint sector. He may have scored a debating point over his predecessor by declaring that the government has taken no decision on the future role of the joint sector. But the fact remains that the joint sector exists, and not merely in Mr C. Subramaniam's imagination. There are already a number of industries of varying degrees of importance in respect of which the government has either collaborated directly with private enterprise or the public financial institutions have contributed capital and obtained representation on company boards. Moreover it is surely the declared policy of the government that public financial institutions have the right to convert their loans into equity capital under certain circumstances.

The joint sector, therefore, is very much a child of the living present. The only question is how best it is to be nursed. Rather interestingly, quite a few big industrialists have become converts overnight to the politics, if not the philosophy of the joint sector. Each may have his own reasons or motives. Mr J. R. D. Tata perhaps wants to save the Tata Iron & Steel Company from the embrace of Mr Kumaramangalam's holding company or the Damocles' sword of the 'take-over'. Other industrialists have probably found that by worshipping at the shrine of the joint sector, they could gain in virtue and become eligible for the purificatory rites of governmental clearance of their projects. In any case now that the capital market has become a creature or captive of the government's fiscal or other economic policies, private enterprise has little to contribute by way of private capital to industrial ventures, but still has some management know-how to provide. It is possible that this management know-how could do a lot for the development of the core sector which Mr Dhar rightly considers to be of importance. Is it not possible then for the government to take a view in these terms of what the joint sector may be able do to help the national economy to realize its priorities of growth?

We cannot reasonably

complain that the Prime Minister is lacking in ideas for dealing with the nation's ills. Take, for instance, the evil of corruption in politics, business or administration. Mrs Gandhi's recommendation is that the public should socially boycott the corrupt. The Prime Minister, no doubt, has thought out the implications of her proposal. We, on our part and for our benefit, may do likewise. In the first place, normally, one may be able to boycott another socially only if the other person is part of one's social life. It would be rather difficult, therefore, for the *Janata* to boycott socially, say, a cabinet minister who collects "political" funds, a government secretary who accepts bribes or a business billionaire who practises graft. The political leader, the top bureaucrat, and the big industrialist all have their respective social circles in which "social boycott" would only mean the kettle wanting to call the pot black and therefore, for all practical purposes, impossible. The common people, who are by definition outside these circles, may only stand and stare.

Mrs Gandhi however believes that she has a solution. She apparently desires that the dhoby should refuse to take in the corrupt person's soiled linen, the barber to cut his hair, or the bearer to serve him a drink. But, then, how is the dhoby, the barber or the bearer to recognize the Prime Minister's "untouchables" by sight? Is the Home Ministry, which is under her charge, in the process of drawing up a scheme for compelling the corrupt to wear an appropriate tag on their dress? If the government could thus unmask and brand the corrupt politician, the unclean official or the venal businessman, would it not be much simpler for the government itself to punish the guilty directly than for the dhoby, the barber or the bearer to penalise him indirectly through a social boycott?

Perhaps what the Prime Minister means is that the "social boycott" should be applied to persons who have been convicted of corruption or have acquired a reputation—if this is the word—for being corrupt. Even so there could be difficulties. Once a politician or an official or a businessman has been convicted of corruption, he should have received the punishment legally or otherwise prescribed for his offence and it may be presumed further that the government would take care to see that he is no longer in a position to receive or give bribes. In that case, it may not be either fair or necessary for the members of the public to act "privately" against the guilty party. If, on the other hand, if it is only a question of a reputation for corruption instead of a conviction for the offence, how is the dhoby, the barber or the bearer to be expected to set himself up as judge, jury and Lord High Executioner? In such cases, again, it should be far less difficult for the government to act to ensure that the corrupt do not continue to prey on society by at least removing them from their vantage positions or otherwise denying them opportunities for trading in the evil.

However one may look at the problem, then, it is difficult to escape the conclusion that the Prime Minister is attempting to pass the buck. Indeed she has talked in a way which suggest that, so far as she knows or is prepared to concede, this problem of corruption is a thing entirely apart from the way her party or her government is functioning or performing its various political, economic or other miracles. The truth, however, is that it is not a stray official here or an errant businessman there that the people think of when they see in corruption a vast and oppressive national evil. On the contrary, they view corruption as a monster of gigantic pro-

WITHOUT CHARITY

portions fed and nourished by extensive collusion and sharing of benefits among the politicians, the bureaucracy and the business class. In these circumstances, how are they to organise a "social boycott" of the corrupt who are also the entrenched rich and powerful except by themselves opting out of a society which is being run by the corrupt for the benefit of the corrupt?

If the Prime Minister is serious about the evil of corruption, she would certainly not regard it as a professional problem of a few vigilance officers in the Home Ministry or fighting it as a pastime of the private citizen. On the contrary, she would recognize it as the responsibility primarily of the political machine and the government at the highest i.e., her level. Rather appropriately, even as she is trying to hawk her lackadaisical approach to the problem of corruption in politics or administration, the evil has been squarely and dramatically challenged by certain political developments in Tamil Nadu. Mr M. G. Ramachandran, popularly known as MGR, has violently shaken up the DMK leadership and government in that state by publicly demanding that ministers and party bosses of various ranks should declare their assets for public scrutiny and thereby clear themselves, if they can, of the allegations and the widespread suspicion that they have been misusing their political offices or party positions for amassing private wealth. It is true that Congress politics, too, have suffered such tremors from time to time, but the powers-that-be had or have managed to limit the damage by successfully disposing them of as purely domestic affairs. Even now there is the scandalous spectacle of Mr P. C. Sethi playing hide-and seek with the "gulabi gram" affair while Mrs Gandhi herself is stated to be agonising over where the political advantage for her or her party may lie in Haryana politics. Meanwhile, in the national and state capitals, life goes on merrily with "political wives, sons, daughters-in-law, brothers and brothers' progeny the rewarding game of adding to the disposable earnings of their families by earning non-taxable incomes.

Touchstone

Oil drift

THE PROSPECT of the Cochin refinery being in a position to handle a throughput of 3.5 million tonnes in the next few months and the facility provided to the Madras oil refinery to increase its throughput to even three million tonnes, with the commissioning of the oil jetty in the Madras harbour, is greatly welcome at the present moment. The implementation of the expansion scheme of the Cochin refinery is resulting in an addition to refining capacity by one million tonnes while it is hoped that the Madras refinery would raise its output by 500,000 tonnes with full use of its facilities and technological adjustments. The rated capacity of this refinery is 2.5 million tonnes. It was not, however, possible to make full use of this capacity because of the difficulties involved in importing crude oil in the required quantities with the temporary arrangements provided by the port authorities.

It is now expected that giant tankers can berth along side at the new jetty after the dredging operations have been completed and calmer weather prevails after the end of the north-east monsoon period. Even now there is confidence that monthly imports can be well over 200,000 tonnes and if the experiments now being conducted prove to be satisfactory, the monthly throughput can be raised to 240,000 tonnes easily. When certain bottlenecks are overcome and balancing equipment have been installed, the annual output can be around three million tonnes. It is also learnt that the feasibility of raising production to 3.5 million tonnes is being examined and a decision in this regard may be taken at an early date.

While the output of refined products is being sought to be raised by 1.5 million tonnes in respect of two coast-based refineries in the public sector, efforts are also being made to augment the capacity of inland refineries. Immediate attention is being paid to the possibility of raising the throughput of the Barauni refinery by activising the third million tonne-unit and utilising crude supplies made available by Iraq under the agreement recently signed by the central government for enlarging the two way trade. This additional capacity is proposed to be achieved in two stages in the next two years. It is therefore hoped that additional refining capacity for about two million tonnes will be in operation fully by the middle of next year and another million tonnes by the middle of 1974. The additional crude requirements of Barauni will be pumped from Haldia port through the new pipe line recently constructed, linking directly the port with the refinery centre.

These new arrangements may not, however, be helpful in over-coming the difficulties created by the cut in the throughput of the three refineries in the private sector. Nor, will the problem of displacing crude imports be solved as the new capacity now being created can be fed only with imported crude which may even be costlier than that secured by the foreign oil firms from their sources. Actually, the Madras oil refinery is obtaining its requirements from Iran under the long term agreement and the price paid is reported to be around $1.91 per farrel. The Cochin refinery too is getting its supply under an arrangement which calls for adjustments in prices in the light of developments in the international markets while it is not known what concession Iraq will offer as it is a member of the Organisation of Petroleum Exporting Countries. The advantage, if anything, will be only in respect of ready availability and the scope that is afforded for increasing Indian exports and reducing the net outlay in terms of foreign exchange in respect of the imports from Iraq.

A similar benefit may also be derived from any agreement that may be concluded with Kuwait though this country is not agreeable to the conclusion of a bilateral agreement as it believes in free trade. Also, crude supplies may not be immediately available as the position will be reviewed only after the exploration now being carried out proves successful and new deposits have been located. Kuwait has of course, agreed to supply sizeable quantities of refined products and there may also be a disposition on its part to increase its purchases of Indian goods and reduce its surplus to the maximum extent possible.

The consumption of petroleum products, however, is increasing all the time. It is now estimated that imports will have to be of the order of three million tonnes in the shape of refined product and to the extent of 13 million tonnes in the form of crude oil. With internal production of crude oil around six million tonnes, aggregate consumption may be in the region of 22 million tonnes even allowing for marginal exports. With an acute power shortage all over the country and the strenuous efforts now being made to sink tube wells and energise them wherever possible, it is quite likely that petroleum products will be used in areas where power is not available. With a larger movement also of freight traffic by road is more than likely that the consumption of petroleum products will increase by

12 per cent annually for some time. In that event the government must be prepared for an increase in aggregate availability of refined products by atleast 2½ million tonnes yearly. This will mean that the new capacity of three public sector refineries will be able to take care only of the increase in consumption in 1973-74 and it will not be possible to effect a reduction in imports of refined products which can easily cost Rs 90 crores. This will be over and above the expenditure on crude imports which involved an outlay of Rs 140 crores in 1971-72. It should of course be pointed out that the increase in imports of refined products is due to a curtailment of the throughput of the foreign oil refineries because of the dispute over what should be the cost of imported crude. Even here, the government thought it advisable to increase the output of two refineries by 150,000 tonnes in order to take advantage of the lower prices that would prevail till the end of December. Under the Teheran agreement the posted prices are due for revision again early next year.

As the central government has not been successful so for in getting crude supplies on a cheaper basis from new sources and it will not be possible to reduce imports of refined products, some immediate solution will have to be found for the ticklish outstanding issues between the government and the foreign oil refineries. Even with their existing capacity an additional throughput of 2.5 million tonnes can be easily handled while new capacity for two million tonnes and more can be created at no great cost. Unless a satisfactory solution could be found it may be necessary to increase further imports of refined products—if for any reason there was delay in commissioning the Haldia refinery. The Mathura refinery will of course take several years to assume shape and the inland refinery can increase its throughput only if there is a higher level of indigenous crude production.

Even if some arrangement could be made to raise the throughput of the Koyali refinery with imported crude it will not be possible to effect a net reduction in foreign exchange expenditure on crude supplies unless it is contended by the government that its alternative arrangements through trade agreements were helpful in reducing the net outlay with higher exports. The advantage accruing, may not, however be tangible in the next five years and it will be far more advantageous to settle the differences with the foreign oil firms by the government acquiring a majority interest in the equity capital of three refineries and taking over completely the marketing of the whole output of indigenously refined products and imported supplies. The foreign firms may agree to some such arrangement if the capacities of their refineries were allowed to be expanded and, also no large net reduction in their remittances to their pursue companies is involved.

The govenment is aware of the need for advance planning in regard to the creation of new refining capacity and maximisation of indigenous crude production. Latterly however, there has been confused thinking and a policy of drift may result in a situation which will give rise to new complications and prove to be more costly from the balance of payments angle. It is time therefore, some new approach was adopted and the angularities of the present policy eliminated.

About export houses

IN HIS presidential address at the annual general meeting of the Federation of Indian Export Organisations in New Delhi held last month, Mr P. A. Narielwala said that the contribution of Export Houses to exports had not yet come up to expectations. He said that most of them were either exporting a single commodity to a single country or a single commodity to several countries and that there was "very little of diversification" in their trading pattern. He also deplored the fact that Export Houses had not tapped the production, or the potential of the small-scale sector to any appreciable extent.

Mr Narielwala suggested that export houses should do a little introspection and find out as to how best they could fulfil the role envisaged for them. He said that, in the present context of our exports, the country looked up to the Export Houses to impart vitality to our export effort and emerge as active agencies for developing and promoting exports.

Though Mr Narielwala personally did not seem to think highly of the achievements of Export Houses—whose contribution he considers to be "still only marginal"—the Federation of Indian Export Organisations (FIEO) appears to hold a different view. In a recent brochure, the FIEO had said that export houses were playing "a significant role in India's foreign trade" and that their share in the country's exports was nearly 25 per cent. The brochure pointed out that Export Houses had achieved "considerable reputation" abroad to supply quality products at competitive prices to the various markets of the world. While Mr Narielwala has said that there has been "very little of diversification", the brochure has observed : "There has been a great deal of diversification in the trade pattern of our Export Houses during the last one decade, arising from diversification in the country's production. They export today a wide variety of non-traditional products, like auto-parts, agricultural implements, bicycles and parts, electrical equipment, chemicals and allied products, sports goods, plastic goods, processed foods, etc. and also highly sophisticated products such as switchgears, transmission line towers, machine tools, cement and textile machinery, structurals, transport equipment, and scores of other items. They also handle the bulk of our exports of traditional products such as textile, tea, hides and skins, tobacco, etc."

If, however, Export Houses have really not played a prominent role in increasing and diversifying the country's exports, it is not entirely their fault. From time to time, suggestions have been made for providing appropriate facilities to Export Houses to enable them to undertake export promotion in a systematic and vigorous manner, but many of the su-

ggestions have not been accepted by the central government. For example, last November, at a meeting of the representatives of the Export Houses held in New Delhi many recommendations were made regarding the provision of more incentives for them. It was suggested that export houses should get preferential treatment in the matter of corporate taxation. At present, Export Houses are subject to corporate tax at 65 per cent whereas a manufacturing company pays corporate tax at 55 per cent. It was proposed that the corporate tax for Export Houses should be at a lower level than that of manufacturing concerns. The government has not yet taken any decision on this subject. Another important suggestion was that the experience and knowledge of the Export Houses should be utilised by the government while drawing up trade agreements. A compact working group was to be charged with the responsibility of serving as a consultative body to the government for this purpose. On this subject also, no decision has been taken. Recommendations were also made at this meeting on several other subjects such as official recognition of the indirect exports made by Export Houses, anomalies caused by percentage differences in the grant of initial and supplementary initial licences, the items that are permitted to be imported by Export Houses, imports for sale to third countries and permission to undertake barter and link deals on the lines similar to the STC and the MMTC, subject to the over-all policy of the government. Though the government has accepted a few of the proposals made at the New Delhi meeting, no action has yet been taken on other recommendations.

As regards the small-scale sector, it has to be pointed out that many of its units continue to suffer from various difficulties like shortage of raw materials and credit facilities. Many small units, moreover, are not able to produce goods of the quality and specifications required by the foreign markets. At the meeting of the Board of Trade held in New Delhi on the September 1, this year, Mr S. L. Kirloskar said that many industrial units in the small sector had been defaulters in maintaining quality and adhering to delivery schedules and that this had brought "a bad name to all Indian exporters". He particularly referred to the decline in the export of sewing machines and diesel engines and he suggested that the system of quality inspection should be examined with a view to preventing the sale of sub-standard goods. The government therefore should actively assist the small sector to increase production and improve the quality of its products so that they can find markets through the Export Houses.

Analysing the performance destination-wise, the FIEO has pointed out that Export Houses in the private sector contribute about 41 per cent of India's exports to Africa, Asia and other Oceania countries and that their exports to west and east Europe, the USA and Canada are attaining "considerable importance".

However, the fact remains that India's share in the global trade has shrunk from 2.1 per cent in 1951 to 0.7 per cent in 1970. Mr Narielwala has pointed out that our increase in exports was a meagre 60 per cent when the world exports had shot up by 344 per cent. He added that over 30 per cent of our foreign exchnage earnings were from three agro-based products, namely, jute goods, tea and cotton textiles, and even in these items India had suffered a setback. It is also significant that India's exports of engineering goods have been about 0.8 per cent of the total world exports compared to the share of 0.3 per cent in the case of Hong Kong which is only "a fraction of India's size" and has fewer resources than India.

There is therefore no room for complacency in regard to the performance of our Export Houses. They have to play a dynamic role in increasing and diversifying our exports and the government has to create such conditions as will make this possible. While incentives of various types are, of course, important to export promotion, what assumes more urgency in the present context is the imperative need to create explortable surpluses. As Mr Narielwala has rightly said, "It is production and production alone, that will lend strength to the country's economy and develop her exports on a widening horizon. India has the expertise, the experience, and the technical know-how to increase production. Government has only to renounce the blinkers from its own eyes and dismantle the barriers it has created for itself which have proved detrimental to the growth of the country's economy to which is linked the growth is exports."

Eastern Economist 25 Years Ago

OCTOBER 31, 1947

Recently the International Bank for Reconstruction and Development issued its quarterly reports whch showed an increase in the Bank's subscribed capital stock during the three months ended September 30 of 200,600,000 dollars This brings total subscriptions to 8,225,100,000 dollars. The statement indicated a balance of approximately 480 million dollars available for new loans. The increased subscribed capital stock resulted from subscriptions to 2,000 shares by Australia and an increase of six shares in the capital stock subscription of Paraguay. In a statement of its income and expenses, the Bank reported a total income for the quarter of 2,538,741 dollar and total of 3,416,426 dollars of which 1,267,902 dollars represented the cost of issuing bonds. The Bank has approved, loans totalling 497 million dollars of which 455 million dollars has been ratified by borrowing member governments and the remainder is yet to be ratified. Meanwhile the Vice President of the Bank has reiterated that the International Bank cannot act as a stop gap for emergency aid, but can be "a trail blazer, attempting to meet the most urgent and critcal needs in the hope that in an increasing degree private capital and industry will step into the picture."

Social responsibility : a matter of management values

L.N. Birla

Text of a speech delivered at the seminar on "Corporation and Society today", organised by the American Universities Centre, at Calcutta on October 27.

I AM happy to be in your distinguished company at this Seminar on "Corporation and Society today". It has been given to me to initiate the discussion on "Corporate Social Responsibility", a concept, which is of perennial interest, even though it has been the subject of discussion in innumerable conferences, seminars and studies all over the world nowadays.

In ancient India *Sishyas* in *Gurukuls* were enjoined to chant : "May we prosper together and enjoy our prosperity in common. Let our exploits be joint adventures". Indeed this prayer was common to every section of the society including businessmen. If today the social responsibilities of the corporate sector is highlighted, it is because, I believe, that a company has somehow acquired or is felt to have acquired an impersonal character.

restrictive policies

There are many reasons for this development. One of them is the divorce between ownership and control. This divorce is partly natural and partly forced — natural in the sense that an individual businessman by himself is unable to provide all the capital that is needed for a large modern company. The legislation of companies in India and elsewhere has been increasingly placing restrictions on who is to manage a company, the period and terms of management, and the like.

Nevertheless, if only we reflect for a moment, every institution, political, economic, social or religious, is worked by men, through men, for men. A company can easily become a conglomerate, if those who are in charge of it are not guided by a philosophy which transcends the narrow though not negligible object of profit-making. As a matter of fact, all those who have succeeded in expanding production or establishing new enterprises have not been guided by the cold calculation of profit alone. The master passion has been a creative joy. If that was not so, economic growth could not have taken place at all anywhere. The motivating force is the satisfaction derived from creating something new—new production methods, new products, new organisations, new opportunities for people.

To my mind, the question of corporate social responsibility reduces itself, then, to the personal values of the management. But values are so much an intrinsic part of our life and behaviour that we are often unaware of them or at least we are unable to think about them clearly and articulate them exactly. Yet individual values, along with other factors, clearly determine the choices as can be proved by presenting men with equally reasonable alternative possibility and comparing the choices they make. Some will choose one course, others another, and each will feel that his choice is the rational one. By and large, however, choices dictated by personal values must agree with the choices dictated by the maximum economic fulfilment which is identifiable. In dealing with choices of personal values and the maximisation of economic opportunities, the manager should keep in mind that corporate strategy must ultimately inspire personal commitments all along the line; it will not be implemented, if it does not flow from an individual's service to society. At the same time, the corporation must remain viable as an economic institution.

no single image

It is against this background that I would like you to note that there cannot be one single corporate image as such; indeed, there will be as many images as there are companies. In India we have about 30,000 companies including more than 20,000 private limited companies. These companies are operating in different centres, big and small, with or without financial and technical foreign collaboration. There are also millions of traders and self-employed proprietors working in 3,000 small and big towns and cities and 600,000 villages or so. Looking at this business scene, it will be rash to generalise what each establishment should or should not undertake. It will be more realistic if the discussion centres round what the larger establishments are doing and what more they should do with regard to discharging solid social-responsibilities.

inspiring philosophy

I would not rate a business enterprise high if it does not have an inspiring philosophy. No doubt, it must manage efficiently, pay taxes honestly, maintain good relations with employees and satisfy the consumer. But more has to be done to merit broad recognition. In my judgement something of that 'more' will consist of expanding production, putting up new units and also engaging itself in community type problems, such as city planning, slum clearance, environmental restoration, education, mass transportation, crime prevention, etc.

While saying this, I am only too conscious of the restraints placed on the growth of large enterprises. The Industries (Development and Regulation) Act, and the MRTP Act, virtually stand in the way of these larger industrial establishments to expand or diversify in answer to social demands. The Companies (Amendment) Bill 1972, which has been recently introduced in Parliament, has quite a few provisions which will make companies which are entirely unconnected to be deemed to be inter-connected and thereby attract the MRTP Act. Almost every clause in the Bill has a penal provisions of imprisonment ranging from one year to five years and the punishments are more severe even than those prescribed in the Indian Penal Code for offences involving moral turpitude. Moreover, the relevant provisions of the Bill are not in accord with the principle of *mens rea* or intention to commit an offence. Any officer of a company committing an offence even unwittingly or by oversight will also be subject to severe penalty.

This has created stagnancy in the total growth also. In terms of growth the leading industrial nations achieved it by 47 per cent during the period 1961-71. Even if we take the growth rates of the developing countries it was an average of 38 per cent for the same period. But in our case it is estimated to be only 37 per cent, i.e., one percent less than the average.

There is another impediment in the way of larger companies fulfilling their

social responsibility of the kind that I referred to earlier. Unless the authorities at the local and state level lend their influence and support, no individual or company can hardly do anything nowadays.

However, it will not be out of place to mention here that a number of social welfare activities have been undertaken by industrial establishments. From a recent survey made by the Federation of Indian Chambers of Commerce and Industry, of 131 companies representing a cross section of Indian industry, 58 units are running primary schools with seven having as many as 1000 students; 39 units are having secondary schools, seven of them giving free education to all, 21 having instituted scholarships for students of different standards. Nearly 100 companies have put up housing colonies for their employees: 25 of these have houses upto 100, 50 between 100 and 500, 11 between 500 and 1000, and another 11 above 1000. In all 79 units have family planning schemes; 55 of them having full fledged programmes of their own and the rest offering monetary and non-monetary incentives. Prior to the introduction of the ESI Scheme, 112 companies had established hospitals/dispensaries, another four did so after the ESI scheme came into being. Even a university has been established with the help of a few companies of our group where thousands of students are getting education in collaboration with MIT. This is not a small record considering the difficulties under which industrial establishments have to operate.

favourable climate

My view is that wider responsibilities can be assumed by corporate enterprise only if it can operate in a favourable climate, and, when occasion demands, society can exert a corrective influence. On the other hand, if there is too much of regulation and an environment of suspicion, the level of performance is necessarily reduced or restrained.

I would like here to say that social responsibility is not a static concept. The responsibilities must be seen constantly anew. We should usher in a commonwheel economy where industry in private hands and government work in unison. There can be no question of industry *versus* government or *vice-versa*; neither can usefully aim at being the only victor. Both industry and government must work hand in hand in such a way as to keep the wheels of price competition going, help each other introduce new systems which are in accord with the interests of the community. Industry must be enabled to create surpluses in order to use these surpluses in an active way and in such a way as to be operative on behalf of the community as a whole. Only along this way can new fronts be built up and wider horizons gained from time to time.

To work out communal integration and to use such a corporation as the material base for the exercise of social ideals is not easy. And the right attitude is not reared until there grows reasonable freedom and reasoned understanding between the government, the industrial organisation and the people in general.

A state is there to serve the people. Equally, it is fair if the people are to serve the state. But the quality of service determines the triangular relationship between government, business and the public. If service is enforced there is loss of freedom. And when and where freedom is lost man loses the dignity of his being and the purpose of his life. The businessman, I suppose, is included in the category of man.

In a round of service there are two parties : the one who does and the other for whom it is done. But service degenerates into a mechanical morality where the personality of either is permitted to suffer in any way. If human personality sheds its glory in any social process such a process impairs the inner worth of either party. Ask him who renders service : is he making an unselfish offer? Ask him who-receives-it : is he selfish enough just to get something somehow at the expense of another? If service is felt and found that way, it is a kind of inexplicit exploitation, an unhappy denial of human excellence. Service, to be true, does not proceed from a grim sense of self-sacrifice; it should culminate in a genial feeling of self-realisation by the giver as well as the receiver. The lofty realisation of a common enjoyment of values gives a refreshing warmth to service. All that, however, is between man and man. The relation can improve as men improve.

Anyway, the social ideal of service should not be an imposition of any kind. It ought to avoid pressure on personal freedom. That service is truly social which respects the inner quality of a man's life, which has no touch of self-exalting charity, which is an enlargement of man's fellowship with men, leading to an expansion of the ego.

In conclusion, I would ask leave to stress the fundamental need of a felt oneness between the state and all sections of the population. Human oneness is an empty word when the society is divided into sectors and bears opposite labels, for difference is one thing and opposition is quite another. Much of the ugliness of modern industrial make-up is a reaction of such control regulations as indicates distrust of human nature. Yet advancement of society is wedded to advancement of industry. The great art of corporate living is to discover the creative relationship between economic, political and social life and to unclose the intelligent vision of outgrowing divisive outlooks. I hope and believe that the social artists and experts assembled here may indicate the course of social experiments to a satisfactory direction.



Hold-up in cement

R. V. Murthy

MANY SHAREHOLDERS, in particular of the Associated Cement Companies, Limited (ACC), would welcome the experiment of heart-to-heart talk between a company's chairman and its shareholders launched recently by Mr N.A. Palkhivala, the ACC Chairman, especially as there have been all kinds of rumours lately about the ACC. A letter by the ACC Chairman to the shareholders has dealt with the affairs of the company. Additionally Mr Palkhivala, has also discussed the problems of the cement industry as a whole for it is only against this background that the shareholders could be expected to appreciate the working of the ACC in the proper perspective. In as much as these problems are of considerable significance to the country's economy, a brief reference to them is called for here.

That the twin problems of the cement industry in India are unremunerative prices and the rising costs is well known. But it may not be equally widely known that the price allowed by the government, even after elaborate examinations by the Tariff Commission, has not at all been adequate except in one instance. Moreover announcement of prices have always been much too late. To these problems, a third one has been added for some years now, namely "a catastrophic wagon shortage". In a country of vast distances such as ours with but a few large consuming centres, a bulk commodity like cement has to be moved by railways largely. But, unfortunately our railways have not been able to meet the growing demand for wagons to move even essential commodity like cement. The result is a sharp fall in despatches, accumulations in silos and curtailment of production for want of storage space.

transport bottlenecks

In the case of ACC, according to its chairman, wagon shortage has been responsible for raising the loss due to low utilisation of capacity from 2.9 per cent of capacity in 1969-70 to 11.7 per cent in 1971-72 and thereby bringing down production. The whole industry worked only 83.3 per cent of its capacity in that year. A shareholder not acquainted with the actual operation of a cement factory may appreciate how wagon shortages affect cement despatches but wonder how cement production also is adversely affected thereby. Here is Mr Palkhivala's pithy explanation: "When cement silos are full, more cement cannot be made because it cannot be stored. You may ask why not keep on manufacturing and storing clinker? If stored for more than a few months, clinker deteriorates (it deteriorates more rapidly in the open) and one tonne of such old clinker has to be ground along with four to five tonnes of fresh clinker which has often to be specially made. This is the main reason. Besides, large clinker stocks clutter up the factory and entail extra handling at increased cost. Moreover clinker stocks lock up funds. Finally, coal is required for production, and when the wagon shortage affects coal supplies, production also suffers. For all these reasons, shortage of wagons leads to pegging down of production".

It is not wagon shortage alone that is pegging down cement production. There are quite a few more, equally beyond the control of the industry, which are coming in the way of production. In this connection, the table below is revealing:

genuine handicaps

From Mr Palkhivala's letter to the ACC shareholders, the latter are bound to feel convinced that these are genuine handicaps and that the management has been doing all it can to meet the situation by way, say, of expansion, diversification, cost reduction, research, etc. They may also cast aside fears of nationalisation, at any rate for the time being. But they cannot but continue to worry about the prospects for ACC's further growth in the field of cement. Apart from the absence of certain incentives so essential for establishing new capacity which ACC is only too willing to undertake, ACC is a dominant undertaking in regard to cement under the Monopolies and Restrictive Trade Practices Act and is a larger industrial house besides. Both these seem to come in the way of its further expansion, as witness the recent turning down by

Capacity and Production of Cement in India

		1969-70	1970-71	1971-72
Capacity	Lakh Tonnes	61.40	66.23	66.60
Production	Lakh Tonnes	54.02	53.76	51.46
Percentage of production to capacity		88.0%	81.2%	77.3%

Loss of Production Due to:

	1969-70 Tonnage	1969-70 % to capacity	1970-71 Tonnage	1970-71 % to capacity	1971-72 Tonnage	1971-72 % to capacity
(a) Wagon shortage	1.76	2.9	6.56	9.9	7.76	11.7
(b) Power shortage etc.	0.14	0.2	0.30	0.5	1.42	2.1
(c) Strikes	1.16	1.9	0.17	0.2	1.34	2.0
(d) Other reasons:						
(i) Rains	0.66	1.1	0.56	0.9	0.76	1.1
(ii) Major repairs	3.67	6.0	2.96	4.5	1.97	3.0
(iii) Shortage of slag/sludge	0.02	—	0.67	1.0	1.43	2.2
(iv) Raw materials	—	—	0.07	0.1	0.42	0.6
(v) Miscellaneous	0.94	1.5	1.24	1.8	0.80	1.2

the Company Law Board of ACC's-three applications, first, for the establishment of a new factory in Rajasthan, second, for extension of the Company's Bhupendra factory in Haryana and, third, for the expansion of its Wadi factory in Mysore.

Mr Palkhivala does not believe this amounts to ACC being completely blocked as far as cement is concerned. "In our unending quest to improve the Company's profitability", he says, "we shall certainly have to explore new paths". The new paths are the limited outlets still open to larger houses, such as the "core" sector, backward areas, exports and "joint" sector. While this desire to explore on the part of ACC is laudable, what is required is the readiness on the part of the powers-that-be and, more particularly, on the part of the Planning Minister and the Minister of Industry at the centre, who alone seem to know all the answers, to give the green signal. Equally important is the need to ensure that expeditious action is taken by the authorities concerned to see that the industry operates atleast to the extent of its present installed capacity. If the latter is not done and the former also is allowed to take its own time, the country must be prepared for even lower quantities of cement than now and that against a vastly increased demand for this essential commodity. This, in turn, is bound to hit the government's ambitious housing programme, and, what is more to the point, the people's dream of a roof over the head.

Self-reliance in man-made fibre

V. R. Tibrewala

THE RAYON AND synthetic textile industry has grown fairly fast in this country. Not only has its production capacity increased but it has also achieved remarkable diversification in the range of products by adopting modern manufacturing processes. It produces a variety of cellulosic and synthetic yarns and fibres as also it produces a large variety of woven, plain, dobby, jacquard fabrics, embroidered and non-woven fabrics. But, although the man-made fibre industry today produces about 1,15,000 tonnes per annum of cellulosic and synthetic yarns and fibres for various uses, when we look at the fourth Plan target of 2,17,000 tonnes per annum by 1973-74, there is certain to be a shortfall. A number of units have been given letters of intent, but it is a common knowledge that a plant takes about four or five years to come on stream. Again, while the fabrics made from man-made yarns and fibres have crossed the 1,000 million metre mark. Out of the average per capita consumption of all textile at about 16 metres, the share of man-made fibre textiles is hardly 1.3 metres. This is in contrast to trend in developed countries where man-made fibre textiles constitute about 30 per cent of the per capita consumption of all textiles.

competitive economy

In today's highly competitive economy in the world, the Indian industry has to face the challenges posed by growing modernisation, unprecedentded technological advancements and the increasing sophistication of consumer needs and expectations. There is thus and urgent need for a plan for expansion and self-reliance in this industry. The plan should provide a definite guideline and a target date for the completion of the task. This plan can be divided into four sectors: "Technology and R & D", "Raw Materials." "Machinery and Equipment" and "Exports". Through a co-ordinated and concerted effort on the part of the government, industry and all concerned, it should be possible for the nation to achieve the goal of self-reliance in the man-made Fibre industry within a reasonable priod of time.

A two-pronged attack is needed to achieve self-reliance in this field: (a) Import of selective advanced technology; and (b) the rapid development of indigenous resources, establishing or augmenting the research work done at various institutes and R &D cells in the plants of the manufacturers of yarns and fibres.

import of technology

Self-reliance should not mean complete stoppage of the import of foreign technology. Even the most advanced countries in the world still continue to import technology from other countries, when necessary. The cost of developing any new fibre or of research and development on existing fibres is high. Large amounts are being spent on these activities by industrially advanced countries which we, in present financial context, are not in a position to do. On the other hand, it is essential that we make a quality product which is vital for increasing our exports. Under these circumstances, it is in the interest of the country to allow import of techno logy and collaboration on a selective basis

We should develop and encourage indigenous facilities for technological research. There is great need to strengthen our research laboratories by providing them sufficient finances, proper facilities and equipment so that in due course, we can achieve self-sufficiency at par with other developed countries. Perhaps central research laboratories can import that most advanced technology and adapt it to local needs and circumstances and provide the know-how thus developed to domestic manufacturers.

lack of resources

It is not possible for any industry to achieve self-reliance unless it is largely self-sufficient in raw materials. The man-made fibre industry is importing raw materials for synthetic fibres and also there is a shortage at present in the domestic production of rayon-grade pulp. It is heartening to note that the Indian Petro-Chemicals Corporation is setting up plants for DMT, Caprolactam, Acrylonitrile etc. It is desirable that production should start at these plants as early as possible. The raw-material producing complexes should keep up with the latest technological advances and up-to-date processes, and also provide a quality products up to world standards.

Until such time as these raw materials are indigenously available, they will have to be imported. The import of pulp, Cap-

rolactam, etc has been canalised through the STC with the idea that the industry should get the advantage of price negotiations when these are purchased in bulk quantities. The distribution is already being controlled through the DGTD as the imports are allowed on the basis of consumption. While the canalisation of imports through the STC may work more or less satisfactorily so far as the negotiation of the scheme may work better if, after the STC has negotiated prices, the industry is allowed to finalise contracts with suppliers according to its own requirements of delivery dates. This, incidentally, will help to reduce the cost burden on the industry as it could pay substantially reduced procurement charges to the STC.

The machinery and equipment for man-made fibre plants is being manufactured locally to a great extent in rayon field and partially in synthetics field. What we should strive for is that the machinery and equipment industry is self-reliant and able to offer sophisticated plant and equipment equivalent to those of industrialised nations. Meanwhile, as regards the import of sophisticated and latest machinery and equipment, the industry and the government should jointly discuss and decide what might be allowed to be imported so that the benefit of the latest equipment and processes is available to our industry. Simultaneously, it is worth considering whether the import of technology and collaboration may be permitted in order to enable indigenous machinery suppliers to supply these sophisticated machineries locally.

increasing exports

Export and self-reliance are two sides of the same coin, because through export earnings only, we can finance the plan to vitalise and modernise the man-made fibre and fabric industry. In India we are producing man-made fabrics in a wide range of facinating colours, patterns and designs. During 1971-72, the exports of man-made textiles and allied items including rayon tyre cord yarn, clothing, hosiery, etc., aggregated to Rs 9.84 crores, of which rayon and synthetic textiles alone accounted for Rs 7.48 crores, showing an improvement of 43 per cent over the previous year. There is a shift away from standard qualities like taffeta to dress materials and sophisticated and fancy items which are in demand in foreign countries. Exports of fancy varieties in nylon textiles have yet to catch up. With its traditional skills in embroidery, India can turn out a large variety of nylon embroidered georgette sarees and dress materials for markets abroad. Nylon printed Lacelane fabrics, see-through fabrics like Broshos, crimped nylon hosiery goods, velvets, knitted and raised fabrics are being exported though to a limited extent. However, the growth of our export trade in the field of man-made fabrics is not what it should have been after 25 years of our industrial efforts as an independent nation.

a definite plan

To better our export performance, we have to develop a definite plan for exports which can take into consideration the various factors involved. Foreign buyers, for instance, repeatedly maintain that our supplies are generally not at par with international quality standards and that there is no guarantee that the materials will be as per samples or reach the importer as per delivery schedule.. Here our technicians and managers will have to develop an approach which will ensure that these complaints do not recur. The government, on its part, will have to stream-line numerous export formalities and procedures. At the moment, there are many governmental and semi-governmental bodies involved in a single export transaction, whether big or small.

Presently incentives are given to exporters in the form of certain import licences. This system does not seem to be helpful or practical as the benefit is available after the export is made and it takes practically a year for the exporter to avail himself of these benefits. It will be better if the incentive is given in the form of a cash subsidy to be available to the exporter immediately after the shipment is effected.

promotional facilities

Export promotion centres in potential international markets should be organised by STC or any other government agency which is expected to play a vital role in exports. Such centres should also be equipped with a proper technical sales service. For building any export business, it is essential to organise a net-work of promotion and service facilities. Here the co-operation of the Reserve Bank of India in allocating exchange for sales promotion tours and sales service visits is vital. The government should take concrete steps to achieve this by allowing man-made fibre and yarn units to expand to economic and viable size. Until the units are enabled to attain optimum size or economic size, it would be difficult to expect them to introduce sophisticated systems of quality controls and set up R & D cells. The economies in costs, which are dependent upon the size of the manufacturing unit, cannot be obtained so long as the units are below the normal size.

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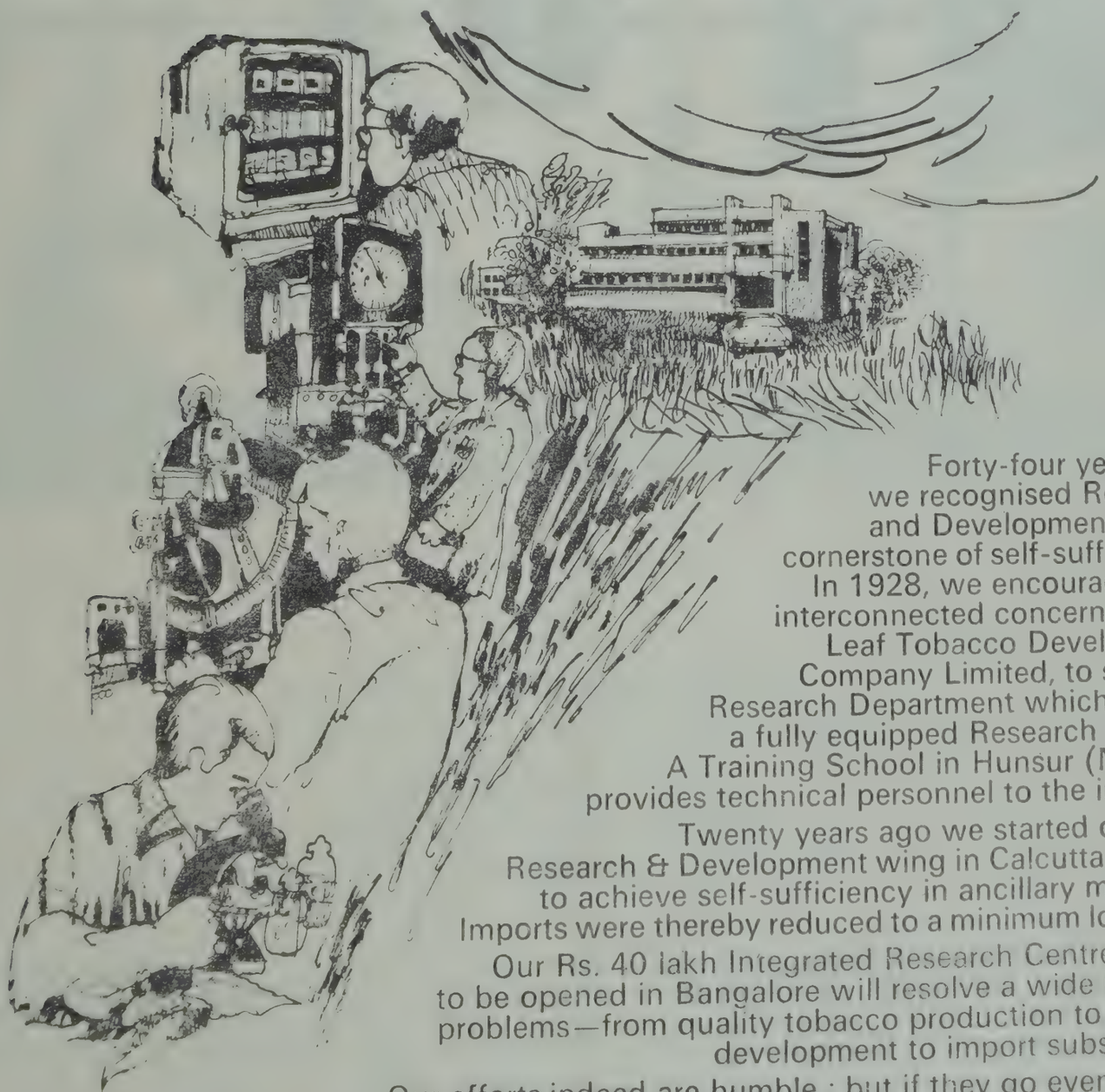
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Identifying backward areas

Dr B. S. Murdia &
Dr K. D. Gupta

THE PROBLEM of regional imbalances is, invariably, three fold: (i) the identification of areas whose economy has remained backward; (ii) the quantification of the level of backwardness; and (iii) whether or not these backward areas have any potential for development.

This article primarily aims at working out general guidelines for the identification of backward areas. It consists of two parts: first, appraisal of earlier studies made in this field by various committees and working groups set up by the government from time to time; and second, study of the factors of backwardness and working out of indicators for the identification of backward areas.

The indicators have been worked out mainly on the basis of empirical experience obtained from actual field surveys conducted in connection with appraisal of rural electrification projects in various states. However, it may be stated that the indicators discussed in the article have a general applicability and can be modified or emphasised depending upon the needs of a specific development programme.

constraints on growth

Disparities in the level of economic development of various regions in the country have been recognised as one of the major constraints on the rate of growth of the national economy on the one hand and a source of social tension and political instability on the other. In view of this, the correction of regional imbalances in development has acquired utmost attention of our national government in recent years, with the objective of achieving a balanced rate of growth of the economy and maintaining social and political harmony among the people living in different parts of this vast country. However, before suitable measures are thought of to correct the inequality in the rate of economic development of various regions, it is necessary that the backward areas in the country are first identified and the factors responsible for their backwardness are analysed on a scientific basis.

The first step in the identification of backwardness is to define the "*area*" i.e. the geographical and administrative boundaries. The area can be the state, district and tehsil. The level upto which the work of identification is to be carried out would depend upon the objectives and availability of required statistical information. As statistics up to the district level are readily available, it would be advisable that the analysis of backwardness may be carried out upto the district level. However, if specific projects/programme so require, it can be extended to the lower administrative units within the district.

dispersal of industries

Before the various criteria for identification of backward area are discussed, it is necessary to review, in brief, the earlier studies made in this field. The first such attempt was made sometime in early 60's by the Committee on Dispersal of Industries. This Committee was set up in pursuance of the decision taken at the meeting of Small Scale Industries Board held in April, 1960. The Committee was entrusted with the task of examining the question of industrialisation of rural areas and industrially underdeveloped regions through promoting small and medium scale industries. The criteria recommended by the Committee for determining backwardness were: poverty of the people as judged by low per-capita income and consumption; high density of population in relation to development of productive resources and employment opportunities as indicated by high ratio of population to cultivable land, low percentage of population engaged in secondary/tertiary activities; low ratio of urban population to rural population; low percentage of factory employment; low level of communication facilities as indicated by the small length of railways and metalled roads per sq. mile; high incidence of unemployment and low consumption of electric power.

Nearly two years later, another Working Group, set up at the instance of Rural Industries Planning Committee, also went into a study for evolving effective techniques, methods and programmes for intensive development of small-scale industries, in selected backward areas. The criteria adopted by the Working Group for this purpose was mainly the degree of prevailing unemployment in the region.

One more study group was set up by the Planning Commission to evolve a set of indicators to identify the level of regional development in the country for the purpose of formulation of the earlier draft fourth Plan i.e. (1966-71). This Study Group recommended certain indicators in respect of areas with high pressure of population on existing productive resources and employment opportunities. The indicators were—density of population, ratio of agrcultural workers to total workers; utilisation of land and the level of development of infrastructure facilities and social amenities in the areas.

objective criteria

In November, 1968, two more working groups, headed by Mr B.D. Pande and Mr N.N. Wanchoo respectively were set up following the decision of the committee of the National Development Council in the meeting held in September, 1968. The former group was set up to recommend the objective criteria to be followed in identifying the backward areas which would qualify for special treatment by way of incentives for industries to be set up in such areas; whereas the latter Working Group was responsible for suggesting effective measures to correct the regional imbalances.

Findings of the Pande Working Group on regional imbalances are mainly confined to the problem of equating regional backwardness with industrial backwardness and suggesting dispersal of industries in a few selected bakckward districts. The criteria suggested by the Working Group for Identifying Industrially Backward Areas are income from mining and industry, number of workers in registered factories, per capita consumption of electricity and the length of motorable roads and railways in relation to population. Based on the criteria as suggested by the former Working Group, the Planning Commission has declared nearly 200

districts as industrially backward in 19 states. In addition to the above, entire areas of the following union territories are also considered as economically backward:

Lacadive, Amindivi & Minicoy Islands (inhabited), Dadra & Nagar Haveli, Goa, Daman & Diu, NEFA,* and Pondicherry.

From the discussion of various studies mentioned above, it is, thus clear that in suggesting the criteria for identification of the backward areas all the committees and working groups took into consideration mainly the degree of industrialisation. But the question is should we consider the level of development of other sectors as well, besides industrial sector, for identifying the areas as economically backward. It has been observed in a number of cases that the area which is considered industrially backward is agriculturally well developed and *vice-versa*. Furthermore, in case of industrially advanced areas, the development of industries is again only confined to a few big cities and surrounding rural areas are still left out as bakckward, and this has led to the disparity in development among urban and rural areas itself. Thus, in order to correct imbalances among areas and within the area itself, it is necessary that backward areas are identified taking into account the development of all primary and secondary sectors as well as socio-economic factors. This necessitates working out of a broad range of indicators which could possibly reflect the level of development of all the sectors in the area. Keeping in view the above objectives, an attempt has been made to analyse various factors of backwardness depth and to arrive at a composite index indicating the backwardness or otherwise of an area.

factors of backwardness

The factors of backwardness and the indicators to identify them are discussed as under:—

The level of utilisation of natural resources, to a considerable extent, indicates the level of economic development achieved in a region. Under or exploitation of natural resources is an indication of the relatively low level of economic development in the area and in turn low income of the population. For the purpose of ascertaining the level of exploitation, these resources may conveniently be grouped into three parts i.e. land, mineral and human resources. We will now discuss certain indicators which may possibly be used in determining the degree of utilisation of these resources.

utilisation of land

Land is one of the important means of production and nearly 80 per cent of the population in India depends on it for its livelihood. The extent of land utlisation, that is availability of potential and degree of harnessing this potential, may be judged by the ratio of cultivable land to geographical area and the ratio of cultivated land to cultivable area. On comparision of these ratios with tnose of national or state average, if it works out to be lower than the national and state averages, may indicate that a major part of the land is not suitable for agriculture due to hills, deserts and swamps. Furthermore, it may also indicate that land could not bebrought under extensive cultivation due to water logging, alkalinity and salinity. These ratios, however, indicate only quantitative utilisation (extensive) of the existing land resources.

Intensive utilisation of land is possible if favourable agro-climatic conditions are present in the area such as, adequate and timely rainfall, good quality of soil, availability of irrigation facilities etc. In areas endowed with such favourable conditions the level of agricultural development is relatively more compared to those where such factors are absent completely or if available they are in limited quantities or unevenly distributed over the territory. For instance, the intensive utilisation of land may be judged by the ratio of net irrigated area to net area sown and cropping intensity etc. If these ratios are lower than the national and state averages it may indicate that per acre productivtty of land is lower for reasons that the area lacks irrigation facilities and there is inadequate supply of inputs. Apart from this, absence of irrigation facilities may indicate that dry farming is common in the area and success of a crop or crops depends to a large extent on rains which are mostly erratic and unevenly distributed in terms of time and space. The low ratio of irrigated land is an indication of susceptibility of the area to droughts. Fluctuation in agricultural production, to a great extent, stems from drought conditions. Impact of droughts on the economy is far-reaching and more often than not, leads to appalling problem of unemployment and even starvation and death among rural population.

For the purpose of comparison of

*In January this year, NEFA was renamed as Arunachal Pradesh.

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degree of land utilisation and thereby level of economic development of various regions, the following indicators may be used:

1. Ratio of cultivable land to geographical area;

2. Ratio of cultivated area to cultivable land;

3. Ratio of net area sown to cultivated area;

4. Ratio of net irrigated area to net area sown;

5. Intensity of cropping, $\frac{GSA}{NSA} \times 100$;

6. Ratio of area under HYV crops to gross cropped area;

7. Fertiliser consumption per hectare of cropped area;

8. Number of tractors per thousand hectare of cropped area;

9. Ratio of area under commercial crop to gross cropped area;

10. Average per hectare yield of main crops;

11. Agricultural production per head of rural population;

mineral resources

Every region is endowed with one or other types of natural resources i.e. minerals, water and forest. Their existence in a region indicates that the area has potential for development, but it does not necessarily indicate the level of economic development, of the area. The availability of minerals and other resources in terms of physical quantities, therefore, should not be equated with the level of economic development for the purpose of determining the backwardness of the area. There are, for example, many areas in the states of Assam, Bihar, Madhya Pradesh, Rajasthan, Orissa which are endowed with vey rich mineral deposits. Notwithstanding this, they are still economically backward. Their backwardness is largely due to the fact that resources available in their territory have not yet been exploited. Hence, for determining backwardness of the area it is necessary to take into account the extent of exploitation of these resources. The ratio of present level of production to total reserves (in physical and value terms) would fairly indicate the degree of exploitation of these reserves and accordingly level of development of the economy of the area.

Apart from the above, level of economic development of an area can be judged by the degree of utilisation of the working force in productive activities. An assessment of the position in this regard necessitates estimation of man-power potential and its utilisation. This can be done with the help of the following indicators:

(i) Ratio of working force to total population;

(ii) Ratio of workers to working force. If the former ratio is comparatively higher than the all-India and state averages, it indicates that area possesses a large number of able bodied persons who can be gainfully employed. If the second ratio is lower than the all India and state averages, it shows that all the persons who are available for work could not be engaged in productive activities due to lack opportunities. In other words, the extent of unemployment in an area indicates the low level of economic development of an area.

In order to compare the level of industrial development for purposes of ascertaining economic backwardness of the area, following indicators may be applied:

1. Value of annual industrial output per head;

2. Ratio of workers in industries to total labour force;

3. Average productive capital per worker;

4. Energy consumption per worker.

infrastructure facilities

Development of infrastructure facilities and social amenities in a particular area offers greater opportunities for economic development. It has been observed that areas where such facilities were in existence, they developed at a faster rate compared to those where such facilities were not available. Infrastructure facilities include transport and communication, availability of adequate power, adequate arrangement for credit, marketing and storage. The extent of availability of social amenities in the area has direct bearing on the efficiency and productivity of the population in the area. Social amenities include provision for educational facilities and health services. The extent of availability of these can be judged with the help of following indicators:

(a) Length of rail lines per 100 sq km of an area;

(b) Length of metalled roads per 100 sq km of area;

(c) Length of *kuttcha* motorable road per 100 sq km of an area;

(d) Length of HT & LT lines per 100 sq km of an area;

(e) Percentage of electrified villages to total villages;

(f) Energy consumption per capita;

(g) Ratio of regulated markets to total number of markets;

(h) Number of bank offices per 100,000 of population;

(i) Per capita annual disbursement of institutional loans;

(j) Literacy rate;

(k) Number of schools, colleges per 1,00,000 of population;

(l) Number of students in higher institutions per 1,00,000 of population;

(m) Percentage of school going children;

(n) Number of inhabitants per physician and

(o) Number of hospital beds per 1,00,000 of population.

natural factors

There are certain areas in the country which are prone to natural calamities such as flood, drought, earthquake and cyclone. They cause considerable damage to the area economy in terms of loss of human life and property. If the area has once suffered from any of the abovementioned calamities, the economy is disorganised partially or completely and the past achievements are either washed off or minimised. Sometimes the impact of these factors on the economy is so prominent that considerable time and huge investments are required to restore it to a level achieved before occurrence of any such calamity. Hence areas affected by such factors have to be listed separately and may be considered as economically backward after the extent of damage caused by such phenomena in the area is ascertained. It may be evaluated by applying the following indicators:

1 Recurrence probability for droughts, floods,

2. Ratio of area affected by these calamities to total geographical area; or

3 Loss of property, cattle & crops per head (in value terms).

The degree of economic development in the area is to be judged not only from the point of view of the availability of potential in the area for development, for instance, availability of natural resources favourable climatic and geographical conditions, etc., but also from the viewpoint of composition of the population in

the area. There are certain areas in the country which are inhabited by a considerable number of tribal population and hence these areas have remained backward irrespective of the fact that potential for development was available, but backwardness of the area has continued due to illiteracy, conservatism, traditional outlook and non-respective attitude of the tribal population to adopting contemporary methods of production or through sheer neglect. The extent of economic backwardness of such areas is to be determined carefully in relation to socio-economic conditions of the tribal population. Indicators given below may simply help in identifying areas inhabited by tribal population but not the level of economic development which has to be determined by applying other indicators already mentioned above:

1 Ratio of tribal population to total population;

2 Ratio of area covered by tribal population to total geographical area.

It may, however, be mentioned that there are certain areas which due to their specific natural characteristics have remained backward. These include deserts and hilly areas. Economic development in such areas could not take place on account of technical and economic reasons. Besides, it involved enormous cost of development. Apart from this, the demand for such development was meagre due to sparse inhabitation in the area. Such areas have to be identified with the help of special studies.

useful indicator

Although per capita income is a very useful indicator for measuring the level of economic development in an area, it has not been considered here for two reasons: first, it does not reflect qualitative aspects of development in the area; secondly, statistics relating to per capita income at the district level are not readily available.

In the foregoing paragraphs an attempt has been made to analyse various factors of economic backwardness of an area. For each of these factors certain indicators have also been suggested which help us to identify the backward areas. However, to arrive at a composite index of backwardness from the broad spectrum of the indicators discussed above is a complex task. There can be various methods by which this can be done. One of the methods by which a composite index may be arrived at is presented below:

For each indicator a three grade classification may be adopted. Grade A, B, and C may be awarded to an area depending upon its level of achievement compared to the country's average for each indicator applied. If an indicator shows that:

(i) the achievement of an area is above the all-India figure that may be awarded grade A;

(ii) if it is between all-India figure and one-half thereof it may be awarded grade B; and

(iii) If it is less than half of the all-India average it may be awarded grade C.

Based on the above grading, an area will score a number of As, Bs and Cs. Now to arrive at a composite index of backwardness or otherwise of an area, the grades scored may be summed up as under :

(i) An area may be considered 'Advanced' if it scores 'A' for more than 50 per cent of total indicators applied;

(ii) An area may be considered 'Backward' if it scores 'B' for more than 50 per cent of the total indicators used; and

(iii) An area may be considered 'Very Backward' if it secores 'C' for more than 50 per cent of the total indicators used.

fairly satisfactory

This approach would give a fairly satisfactory composite indicator when a large number of indicators are applied. However, further improvement and sophistication can be effected depending on the nature of the problem.

Another important aspect of the problem of regional imbalances and their correction is the problem of determining the potential for development in the area which has been identified as economically backward. Determination of the potential for development is particularly important from the point of view of the credit institutions which are, apart from other things, more interested in repayment capacity of the borrower. If credit is provided for a project which either fails due to the absence of potential for development or it is incapable of generating the desired rate of return on account of inadequacy of the potential, the borrower may not be able to meet capital and operating costs. For example, in the absence of underground water resources, programme of pumpsets energisation will prove an utter failure resulting in blocking of huge capital investment. There can be another case where underground water resources are available but in inadequate quantities. In such a case any programme of installation of pumpsets will not generate the desired rate of return on investment.

In view of this it is necessary that backward areas are also classified in acordance with the availability of potential for development in the area. After having done the classification, financing instituon may well decide which area is to be financed and on what terms and conditions

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North Sea oil exploration paying off

Jossleyn Hennessy

London.

I

The Companies Involved

THE SEARCH for oil in the North Sea (undeniably successful on the whole) has in the course of the past five years evoked alternative enthusiasm and disillusion as much among oil men as in the European press and in investment circles. Oil groups have sometimes cracked up discoveries the importance of which remained to be seen; at other times they have veiled their finds in secrecy for months on end. Even though the exploration of the North Sea is still only in its earlier stages and even though there may still be surprises to come, it is worth an effort to do some medium term crystal gazing over the prospects of supplies of energy — oil or gas — for Europe from the North Sea.

It was in 1963 that the UK decided to allocate concessions in its offshore zones. In 1964, Norway, Denmark, West Germany and the Netherlands followed suit. The principles on which the various zones were to be divided had been agreed in the Geneva Convention of April 29, 1958.

The oil companies had already swung into action. Alerted by the discovery of gas at Groningnen, they had already criss-crossed the North Sea with research ships while the different countries concerned were still drawing up their oil codes. The studies of the oil companies had revealed the existence in the centre of the North Sea of a widespread teritary sedimentary basin orientated north-south, to the south of which was a zone of older sediments of the same age as those found at Groningnen.

Most of the great oil companies — Esso, Shell, BP, Mobiloil, Amoco, Phillips etc. — were interested. French oil interests decided on a joint venture. Elf-Erap, the Compagnie Francaise des Petroles and the Societe Nationale des Petroles d'Aquitaine, formed groups to which were joined, for certain ventures, three other French companies (Eurafrep, Coparex and Francarep) associated with some foreign companies. The French group acquired interests in permits granted to other groups.

In December, 1965, British Petroleum announced gas off the British east coast. This, followed a few months later by the discoveries of Shell, Phillips and Amoco, which would revolutionise the UK's gas supplies, aroused enthusiasm in the Biritish press and amongst the oil men. The revelation of beds of methane intensified explorations to the north and towards the central sodimentary zone, where it was hoped that oil would be discovered

JOSSLEYN HENNESSY is on holiday and will resume his weekly column on the international scene on December 1.

—Editor

The oil companies were not so excited about gas because of the increasing costs of exploration, and of transport, the further away from the coast that they got and, above all by the feeble profits that would result from the low buying price fixed by the UK Gas Board on producers in the British zone. Exploration continued but enthusiasm cooled.

The first discovery of oil in September, 1969, at Ekofisk (in the Norwegian zone near the British zone) by a group led by Phillips was not announced until May, 1970, after work on mapping the bed and first tests had been carried out. Production of the first wells began in June, 1971, at the rate of ten to twelve thousand barrels a day (which has now reached 30,000 barrels a day from three wells). Two months later the first delivery of crude oil from the North Sea reached a European refinery — that of Shell at Stavanger.

new discoveries

The announcement of the Ekofisk discovery, and a little later that of Teeneco in the north of the Dutch zone, revived the interest of the oil men, who now started a rush to the north. Whereas in May, 1970, there were only seven outfits drilling in the North Sea — one in the Norweigian zone, two in the Dutch and four in the British — today there are seventeen.

This intensification has led to a series of discoveries of oil and gas, the importance of which remains to be seen.

At the present time, no North Sea bed is yet in production, except for Eskofisk and the five British gas fields (West Sole, Viking, Indefatiguable, Leman and Hewett), which since the summer of 1967 contribute in increasing volume to British gas supplies (90 per cent of gas delivered in the third quarter of 1971 by the Gas Council, which has the monopoly of this source of energy). However schemes are under study to develop the discoveries made, notably the 1972 exploitation programme for oil found in the Danish sector by the Danish Undergrounds Consortium, and also that of the Forties (British

WINDOW ON THE WORLD

Petroleum) off the east coast of Scotland. The commercial possibilities of other strikes are being studied.

Prospecting is gathering pace. It can even be said that the ships and platforms at work are two few to cope with the speed-up in exploration. Appratuses are on the way to the North Sea from as far away as Australia. In addition, the oil and drilling companies have ordered a dozen ships or platforms for delivery this year or next.

proved reserves

Proved reserves in the North Sea of commercially utilisable gas are at present estimated — excluding certain strata the possibilities of which have not yet been assessed — at about 1,500,000 million of cubic metres (five times the reserves of Lacq and four times those of Groningnen). The chief methane fields are in the British zone (900,000 million of cubic metres), in the Norwegian (150,000 millions) and in the Danish (30,000 millions).

It is not possible to put a figure, however rough, to the recoverable reserves of crude oil in the different beds found in the North Sea. The discoveries are too recent and the studies of reserves, which necessitate new drillings and tests, will take a long time. Only the reserves of the Phillips Group in Norway (Ekofisk, West Ekofisk, Ergfisk and Cod) have been estimated: they amount to 200 to 250 million ton of oil, of which 90 millions lie at Ekofisk. As for the strata at Forties off Scotland found by British Petroleum, and that of Auk, work is still proceeding on mapping and each week sees new information coming to light. For example, it was announced last October that about a fifth of the Forties bed extended to a neighbouring block allocated to Shell-Esso, which must of course lead to negotiations to agree on joint methods of exploitation. It is however, possible to say already that the reserves of the Forties seem to be at least on a par with those of Ekofisk.

II

Optimistic Estimates

Although the reserve of the beds discovered cannot yet be precisely assessed, oil circles consider that at least ten years of production are certain and that in ten or fifteen years time new methods of oil extraction will have been developed, which will enable a bigger volume crude oil to be recovered. It is generally thought that the global production from the North Sea could, shortly after 1975, attain about 50 million tons a year (of which 15 million tons each would come from to Kofisk and the Forties, providing that drilling is considerably stepped up in the two years ahead. In the longer term, according to what seem the most reliable estimates, an output of about 150 million tons a year could be expected from 1980 onwards, i.e. the equivalent of Libya's production in 1970. This amount of oil would only cover about 10 per cent of West Europe's oil needs in ten years time. The strategical or political importance of Europe's oil reserves therefore seem modest, just enough perhaps to tide over brief shortages.

When the costs of exploration and exploitation are compared, North Sea costs tower over those of the Persian Gulf. In fact, of all zones in the world now being prospected, that of the North Sea is the most difficult, partly because the depths involved require especially costly equipment, and partly because of the many interruptions in the work due to the weather and heavy seas. According to some estimates, the cost of the 450 drills (of which about 300 are in the British zone, 60 in the Norwegian and the rest in the Danish, West German and Dutch) carried out since the beginning of the search up to June 1, 1971, believed to have exceeded $500 millions. Total costs, including preliminary geophysical and geological work, seismological checks, laboratory tests and other expenses, are believed to amount to another $500 millions. Even so, note that out of the 450 wells sunk, nearly 250 have proved commercially useless.

increased costs

In addition a rapid increase in these costs in the years immediately ahead must be expected because of the intensification of exploration and the corresponding increase in the drilling apparatuses and all related activity. For example, it is believed that the production costs of Ekofisk and Forties will be from $400 millions to $450 millions.

When one takes into account the vast scale of the capital investment and risks incurred by the oil companies, the royalties that they seek to exact from host countries are not excessive.

III

European Attitudes

Be that as it may, North Sea oil has appeared just in time to re-establish the level of European oil production, which at a mere 16 million tons in 1970, was in decline. It will probably yield the exploiting oil companies adequate profits, because the tax systems applicble, together with the proximity of the consuming markets to the sources of supply, compensate for the difference between North Sea and Persian Gulf costs. While the royalties paid to the members of the Organisation of Oil Exporting Countries (OOEC) are calculated on an officially fixed notional price, in the North Sea, on the other hand, they are fixed on the real value at the well head. The tax on theoretical profits of the members of the OOEC is a minimum of 55 per cent and their profits are related to an artificially stepped up base, compared with 45.25 per cent in Norway, 36 per cent in Denmark, 50 per cent in the Netherlands, and 40 per cent in the UK, where it is based on real net profits after all expenses and depreciation charges have been met. Finally, even if the construction of a network of submarine oil pipes linking the oil fields to consumers will require substantial investment, the cost of transport will be far below that from the Persian Gulf.

lower prices

Following the discouragement felt among oil companies when the British Gas Council fixed a low buying price on North Sea natural gas, the Heath government has had second thoughts. The price offered Conoco for methane from the Viking field deliverable from 1972 (1.5 pence per therm or 0.06 per cubic metre) is probably satisfactory to the seller and a reasonable incentive to further exploration. The UK is, moreover, not the sole potential market for North Sea gas, demand for which is in full expansion in Europe and is further stimulated by rising prices of competing fuels. Further markets outside Europe may also be possible : a scheme to export liquefied Norwegian gas to the USA is under active study.

Exploration for oil in the North Sea is still in its infancy. It should develop considerably in the next few years towards the north. It will involve heavy investment. The North Sea will doubtless never be as important a source as Texas or the Persian Gulf, but the recent discoveries will relieve Europe from being entirely at the mercy of the Middle East and Africa for its supplies of energy.

Sources and acknowledgements: The foregoing summarises a report in a recent issue of the *Economic Review* published (in French) by the Banque Nationale de Paris, but the Bank is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

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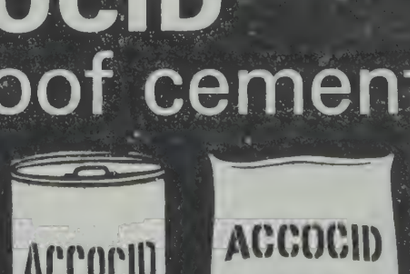


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US-Soviet trade accord

ENDING a quarter of a century of virtual trade deadlock, the world's two largest economic powers—the United States and the Soviet Union—have signed a historic agreement that could triple their mutual trade in the next three years.

They also signed on October 18 an agreement settling Moscow's old World War II Lend-Lease debt to the United States. This in turn opened the way for President Nixon to grant government Export-Import Bank credits to firms doing business with the Soviet Union.

Mr Nixon announced that he will ask Congress to reduce tariffs against Soviet goods on a most-favoured-nation basis. Some oppostion has been expressed by several leading Senators who object to the Soviet emigration tax on Jews wishing to go to Israel.

quiet diplomacy

Secretary of Commerce Mr Peter Peterson, told newsmen at a briefing that the US government will pursue "quiet diplomacy" between now and early next year, when the President will send his legislative proposals to Congress.

Mr Peterson also announced that the agreement opens the way to vastly increased trade between the two economic giants.

For example, US firms have applied for export licenses valued at well over 1,000 million dollars in anticipation of bidding successfully on the huge Soviet Kama River Truck manufacturing complex. It is estimated that US firms could capture up to 500 million dollars worth of contracts.

The Soviet Union has already indicated a desire to buy several million dollars worth of US equipment to manufacture tableware.

In addition, Soviet Trade Minister N.S. S. Patolichev told President Nixon at the signing ceremony in the White House that the Soviet Union will place orders for 60 million dollars worth of US earth moving equipment immediately.

Several other large joint Soviet-US ventures are also now under negotiation. These include plants to produce polystyrene, metal fasteners, fertilisers, plus mining and natural gas extraction.

Soviet-US trade in the past three years totalled about 500 million dollars, with a three-to-one balance of trade in favour of the United States. As the total trade triples—and Mr Peterson said this is a conservative estimate—the ratio, or balance of trade, is expected to remain about the same.

The effect could mean at least "a few hundred million dollars" in the US favour, Mr Peterson said.

More important, the US exports—machine tools, consumer goods, industrial equipment—are highly labour intensive, while the Soviet, exports—mostly raw materials—are less labour intensive. Thus, even more important than the favourable trade balance, he said, is the "balance of jobs surplus."

Each country agreed to reduce its tariffs against the other to the lowest level enjoyed by its other trading partners. This could reduce the tariff on a bottle of Soviet vodka, for example, from five dollars a gallon to only 1.25 dollars. The tariff on Soviet caviar would be cut in half.

This trade agreement will not actually enter into force until Congress enacts the tariff cuts, and this cannot happen before next January when the Congress convenes a new session.

favoured nations

At present only Poland and Yugoslavia, among communist nations, enjoy most-favoured-nation tariff status.

In answer to a question, Mr Peterson said the US government has three months in which to prepare its legislative strategy, and that it should not be assumed that the Soviet Union will be the only Communist nation included. He did not elaborate on which other countries might be included in a Presidential request.

Since the Soviet economy is virtually state-controlled, and costs and prices are arbitrary, the US negotiators insisted on some protection for US manufacturers against unrealistically low-priced Soviet exports.

The Soviet Union, on its part, agreed not to ship any products to the United States which could cause or threaten a disruption of the US market.

The Soviet Union also agreed to permit US firms to establish offices in Moscow. It announced that it will build a large office-hotel-apartment trade centre in Moscow, expected to open within a few years.

Several US firms are expected to bid on the financing and construction of the centre.

At the same time, the United States will assist the Soviets in opening a commercial office in New York to buy equipment for the Kama River project.

Both nations agreed to arbitrate any disputes in a third country and under the rules of the Economic Commission for Europe, a United Nations agency. Both parties, however, are free to agree to any other means of arbitration they might mutually prefer.

progress made

Progress was also made on a copyright and a tax treaty. The negotiations on these matters are continuing, and Mr Peterson said he expects major progress soon.

The thorniest problem of all was the Lend-Lease debt. It includes all non-military equipment sent to the Soviet Union by the United States during World War II, plus all equipment, both military and civilian, delivered after the shooting had stopped. The United States estimates the total aid at 11,000 million dollars.

The entire subject of the war and wartime sacrifices was an emotional one, Mr Peterson said. But he added that he was extremely pleased with the final result. He said it compares very favourably in its terms with the 1945 agreement which the British signed on their own Lend-Lease debt.

Under the terms of the agreement, the Soviet Union will pay 722 million dollars by the year 2,001. That is slightly more than the British paid on a debt twice as big. And the Soviet Union will pay four per cent interest, again about twice the British rate — USIS.

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MOVING FINGER

"The Times" (London), in its time, used to be known as "The Thunderer". "The Hindu" (Madras) also used to be a thunderer of sorts. For instance, it shouted its head off when Rajaji, as chief minister of Madras in the 'thirties, brought forward his Agriculturists' Debt Relief Act. Its editorial columns, again, used to thunder regularly against "the 18-pence rupee" during the celebrated "ratio controversy". Even now, "The Hindu" does thunder when to do so is reasonably safe. More often, however, it prefers to express itself through thunderous silences — for these are difficult, if not dangerous times.

Take, for instance, "The Hindu" and the DMK drama. The simmering revolt in that party came to boil on October 7, when MGR demanded publicly that the assets of the party bosses and their relatives should be disclosed to the public. The revolt boiled over on October 10 when the decision of the party leadership suspending MGR (who was the Treasurer of the DMK) from primary membership found him wholly unrepentant and determined in his resolution to pursue the corruption issue. The subsequent developments were predictable and logical and, on October 18, MGR announced the formation of a new party, *viz.*, "*Anna* DMK", thus associating it firmly with the image and memory of the founder-leader of the DMK and, in the process, charging the DMK establishment, under Mr Karunanidhi who is both chief minister and president of the party, with betraying the principles and values of the *Anna* heritage.

During all these exciting events, the editorial columns of "The Hindu" maintained a thunderous silence. In contrast, "The Indian Express", in this period, twice took editorial notice of the crisis in DMK policies. Even in "distant" Chandigarh, "The Tribune" wrote about it and in New Delhi, itself, the leader-writers in various newspapers became promptly and amply articulate. Only "the old woman of Mount Road, Madras," was not to be deflected from her faithful aping of the proverbial three-monkey act — "see no evil, hear no evil, speak no evil". She, however, could not resist the temptation to share her editorial wisdom with her readers on politics in Ceylon on which she held forth on October 16 and, curiously enough, a couple of days earlier, she had written on the issue of "Corruption", *vis-a-vis* the Prime Minister's sermon to Vigilance officials, but without uttering a single word referring to the very relevant controversy currently raging at her own door-steps. Once bitten twice shy. Having rashly placed itself on the wrong side of the winning side in the last general election to the state legislature and having had the fear of God put into it for that misdemeanour, "The Hindu," evidently, has decided to play safe now. It is not easy, surely, to sympathise with such an attitude and one need not be a cynic to ask whether to "The Hindu" freedom of the press means only a title to purchase newsprint freely or keep its proprietorial interests intact.

As for the Prime Minis- ter on the corruption issue, *Touchstone* has offered some comments elsewhere in this issue. Here I would like to say that her remarks, deprecating "constant talk of corruption", leave me cold. If corruption becomes a constant presence, what are the people to do about it? Grin and bear it? Shrug it off? Mrs Gandhi, on a famous occasion, had suggested that we should not make too much of the inflation in this country since inflation is a world-wide phenomenon. One should be grateful to her, I suppose, for not arguing that corruption also is an international *malaise* and not peculiar to this country.

God knows she has enough justification. In the United States, the White House is being accused of financial skulduggery in raising funds for the president's election campaign. Worse still, Mr Nixon's aides or associates are being increasingly linked to barely legal or even quite illegal activities such as the notorious Watergate affair in which wire-tapping and "bugging" were employed to obtain information about Democrat campaign plans. In the United Kingdom, Mr Reginald Maudling found himself obliged to quit the office of Home Secretary recently because his name got involved in the questionable financial dealings of some wheeler-dealer and the bankruptcy proceedings against the latter are proving a mine of information on corruption in local bodies or among public servants. In France, the Aranda revelations have rubbed many Gaullist noses in the mud, while in the Federal Republic of Germany, no less a person than its Chancellor felt provoked to suggest that his country's law-makers could be and had been bought. With a world so rotten, why should India feel upset at all if there is to be (may be) some day somewhere somehow a motor car which some would call "maruti"?

From a village money- lender to a modern banker to a pioneering industrialist of impressive stature — this was how Fortune's wheel turned for S.N.N. Sankaralinga Aiyar who died a few days ago at the ripe age of 71. Founder of the Indo-Commercial Bank Ltd (as it was before nationalization) and India Cements Ltd, Aiyar had the rare gift of getting the best out of his lieutenants and the even rarer gift of making a tradition and passing it on to his children. In Mr K.S. Narayanan, the eldest of his eight sons — there is also a daughter — and the managing director of India Cements, Aiyar has left a worthy family leader and trustee for the industries he had built and the many charities or humanitarian causes he had promoted.

Mr Alagiriswamy, who has left the chairmanship of the Monopolies Commission for a place on the Bench of the Supreme Court, is entitled to the satisfaction that he had at least tried to make the best of a bad job. One suspects, as the frustrations of an impossible assignment began to crowd on him, he set out searching in his disciplined intellect for a justification that could also be a saving grace and it might be this that led him latterly to emphasise the "restrictive trade practices" aspect of the Commission at the expense of the "monopolies" angle. If only his suceesor in the Comission would follow this lead, it may still be saved from settling down as a creature of politics instead of serving the nation as an agent of legitimate consumer interests.

Another official event to which I must allude is the retirement of Mr N. Subrahmanyam who was holding the post of Secretary (Mines & Metals) in the Ministry of Steel & Mines. Known to his friends and well-wishers affectionately and admiringly as *nerruppu* (meaning "fire") Subrahmanyam, he conducted himself throughout his career in the Indian Civil Service with the fierce independence and intergrity of *agni* or the sacrificial flame. It was therefore entirely predictable that when the time came for him to retire, retire he would and that no gift that was for politicians to give would be waiting for him.

VB

TRADE WINDS

National Defence Loan

THE OUTSTANDING balances of 4¾ per cent National Defence Loan 1972 and 4½ per cent National Defence Bonds 1972 are repayable at par on October 27, 1972 and on November 10, 1972 respectively and no interest will accrue thereon from the respective dates. To facilitate repayment on the due dates, holders of the captioned loans may tender their securities at the Public Debt Office, Treasury or branch of the State Bank of India or its subsidiary Banks (at which the securities are enfaced/registered for payment of interest) on or after October 16, 1972 in respect of 4¾ per cent National Defence Loan 1972 and October 30, 1972 in respect of 4½ per cent National Defence Bonds 1972.

German Investments Abroad

For another year the West German government grants tax concessions to German businessmen in case they invest their money in developing countries. The Development Assistance Tax Law dated from 1963 has just been extended for one year, not to say that after this the promoting tax measures will be suspended. The West German tax payer who invests in developing countries is allowed, for purposes of computing his profits, to make a deduction from the value of these capital investments of up to 15 per cent of the cost of acquisition or production of such capital investments. They are also allowed to establish a tax-free reserve of up to 50 per cent of the costs. These two measures combined save the German businessmen about 20 per cent of the acquisition and production costs of his capital investment. These tax incentives cost the West German government about DM 200 million (Rs 46 crores) per year. West German total private investment in developing countries comes to DM 6.3 billion (end of June 1971), out of which DM 637 million have been invested in Asia. Amongst the Asian countries it is India where the major portion of the German private capital had been invested, that is DM 181 million.

Indo-Japan Committees Meet

A joint conference of the India and Japan Committees will be held in early December this year at New Delhi. The conference will discuss economic and political relations between India and Japan specially in the light of the recent international developments. The conference will also seek to locate important areas for co-operation between the two countries in the educational, scientific and cultural fields.

The Indian delegation, who will host the conference, will be headed by Mr B.R. Bhagat, Member of Parliament and Chairman of the India Committee for studies on Economic Development in India and Japan. The delegation will include leading intellectuals, administrators and businessmen. The Japanese delegation will be headed by Prof. Ichiro Nakayama a well-known economist of Japan and comprise, among others, Dr. Shigeo Nagano, Chairman of the Nippon Steel Corporation and President of the Japanese Committee for Economic Relations with Foreign countries. The Indo-Japan Committee was constituted in 1962 with a view to promoting Indo-Japanese co-operation in the economic, educational, scientific and cultural fields, through studies, conferences and exchange of scholars.

Export of Cycles

Indian manufacurers participating in the Bicycles and Motor-cycles Exhibition recently held in Cologue, Federal Republic of Germany, secured orders worth DM 1.5 million and generated several enquiries for bicycles and components from West Europe and America. The Indian bicycle and bicycle parts industry which ranked fourth in the world, participated, under the aegis of Indische Technische Handelsberatung (Engineering Export, Promotion Council of India) Dusseldorf, for the first time in the International Bicycles and Motor-cycles Exhibition (IFMA) held from September, 16 to 19, 1972. Ten leading bicycles and parts manufacturers in India exhibited their products.

Erosion of Foreign Exchange

According to the Kaul Committee which studied the question of leakage of foreign exchange, the total leakage was approximately Rs 250 crores. It has been reported that committee in its review has pointed out that the under and over invoicing was to the tune of Rs 50 to 65 crores a year. The committee has mentioned four main sources for the illegal supply of foreign exchange to the underworld. These are sale proceeds of goods smuggled out of India, such as silver, narcotics, precious stones and antiques, deflection of inward remittances to unauthorised channels, foreign currency obtained from tourists and manipulations through trade in relation to imports and exports. It is estimated by the concerned officials that the leakage of foreign exchange from the inward remittances was to the tune of Rs 120 to 140 crores.

The Kaul Committee estimated it to be nearly Rs 100 to 120 crores. Smuggling of gold, watches, and other luxury items into the country were financed by obtaining exchange from foreign tourists, inward remittances and earning from goods smuggled out of India. Foreign exchange payments to international smugglers by their Indian counterparts were believed to be somewhere near Rs 200 crores. Goods illegaly sent out from India like silver, antiques, jewellery and precious stones bring nearly Rs 40 crores to the underworld.

Hotel Bills in Foreign Exchange

Persons staying in Indian hotels, where tariff for single occupancy per day was Rs 60 or above, would be charged 33-1/3 per cent more from November 1 if payment was made in rupees, this was announced by union Minister for Aviation and Tourism, Mr. Karan Singh, in Calcutta recently. Dr Singh told newsmen after a meeting of the Parliamentary Consultative Committee on Aviation and Tourism, that no additional hotel tariff would be charged if the payment was made in foreign exchange. The measure would definitely be a disincentive to persons staying in hotels and paying in rupees but would act as an incentive to foreign tourists to make payment in foreign exchange. It would also maximise the occupation of four and five star hotels by foreigners, he said. Dr Singh said hotels would be allowed to spend 10 per cent of their earned foreign exchange for publicity and purchase of equipment.

Indo-Iraq Co-operation

Discussions began in New Delhi on October 19 between the representatives of India and Iraq on further strengthening of the co-operation between the two countries in the fields of trade, science and technology. A seven-member Iraqi delegation led by Mr Saba Kachachi, Director-General of Industries, attended the first plenary meeting of the joint committee of experts of the two countries set up following the recent visit of the Planning

Minister, Mr D. P. Dhar, to Baghdad.

Steel Output Up

Even though production at the Durgapur and Indian Iron and Steel Company's works went down to unprecedented low levels, the total output of saleable steel at the five integrated steel plants in the country registered a sizeable increase during the six months to September 30, 1972. At 2.185 million tonnes, the overall production was higher by 84,000 tonnes compared to the corresponding period of the previous year.

Production at Durgapur between April — September this year aggregated to 193,000 tonnes, as against 224,000 tonnes during this period in the previous year. At IISCO works, it amounted to 144,000 tonnes, as against 241,000 tonnes. The output at the Bhilai, Rourkela Tata Iron and Steel Company's works, on the other hand, showed marked improvement. At Bhilai, it was of the order of 830,000 tonnes — 123,000 tonnes more than the production in the first six months of 1971-72. At Rourkela, it improved from 291,000 tonnes to 333,000 tonnes and at Tisco works from 638,000 tonnes to 685,000 tonnes.

Both at Bhilai and Rourkela the level of production was the highest since 1965. It would have been even better but for power shortages. The loss of production at the three plants of Hindustan Steel — Bhilai, Rourkela and Durgapur — on this count alone, during the six months to September this year, is estimated at 60,000 tonnes.

The unsatisfactory level of production at Durgapur and IISCO works is attributed to a persistent labour trouble. The increase in production at Bhilai and Rourkela is said to have resulted from the various steps initiated during the last 18 or 20 months. The full impact of these measures, it is expected, will be felt during the second half of the current financial year.

It may be recalled that after identifying the main ills of the HSL steel plants, a multi-pronged drive was launched last year to remove the bottlenecks and constraints retarding production. A Task Force was set up in the ministry for each steel plant to keep a constant watch over its performance. A closer relationship was built up between the plants and Delhi to solve, on the highest priority basis, their problems such as prompt procurement of wagons, raw materials, spares, locomotives, foreign exchange requirements, import licences, etc.

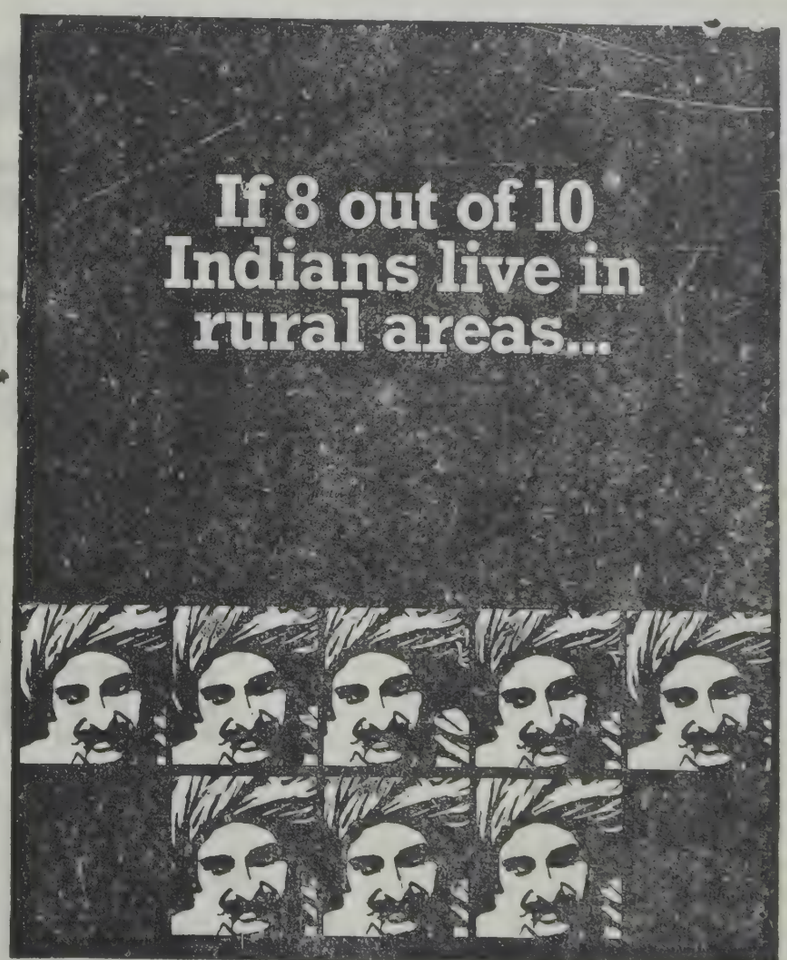
Special attention was paid to maintenance of plant and machinery as well as timely availability of materials. A three-year rolling plan was formulated for stores and spares, raw materials, refractories, etc. Firm maintenance and capital repair plans have been made for each plant and are being acted upon.

Among the serious problems encountered was the unsatisfactory performance of the coke ovens at the steel plants. As part of a short-term remedial programme, two groups of experts looked into their working and special groups have been set up for ensuring adequate inspection and repairs. With the assistance of a leading Soviet specialist, detailed manuals were prepared for the maintenance of the coke ovens.

A steering group under the chairmanship of the Steel Secretary made an assessment of the coke requirements of the steel industry and its availability from various sources. Steps have been taken to control the distribution of available coke almost from month to month on a rational basis to prevent shortage of coke from becoming a constraint on steel production. To meet the shortage of coke oven gas, selected units in each plant have been converted to fuel oil injection and supplementary fuels are already being used.

As part of the long-term programme, a new coke oven battery was commissioned at Bhilai in January, 1972, and another is being taken up for construction on high priority. At Rourkela also, the coke oven facilities are being reinforced with a new coke oven battery and capital repairs of all the existing coke oven batteries of the plant are being undertaken. A capital rebuilding programme of coke ovens is also under way at the Durgapur Steel Plant.

The use of sinter in the blast furnaces of the plants is being increased progressively in order to reduce the rate of coke consumption. Meanwhile, the public sector Bharat Coking Coal Limited is setting up addi-



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tional beehive coke oven batteries. These can be set up in a much shorter period than the conventional batteries and can provide limited quantities of coke for blast furnaces.

In the field of industrial relations, efforts were intensified to settle disputes by means of a constant dialogue between the management and labour. Hindustan Steel has also evolved a production incentive scheme to motivate labour productivity and discourage absenteeism.

New Business By LIC

The total new business of the Life Insurance Corporation of India in September 1972 amounted to Rs 179.21 crores, involving 192,052 policies. This included foreign business worth Rs 64 lakhs. During the month, the western zone of the Corporation completed the highest amount of new business (Rs 52.10 crores) followed by the southern zone (Rs 46 01 crores) and the central zone (Rs 33 33 crores). The eastern and northern zones did business amounting to Rs 25.36 crores and Rs 21.77 crores respectively. The total business completed by the Corporation, including foreign business, during the first six months of the current financial year amounted to Rs 634.39 crores compared with Rs. 500.03 crores during the corresponding period of 1971-72.

Colombo Plan

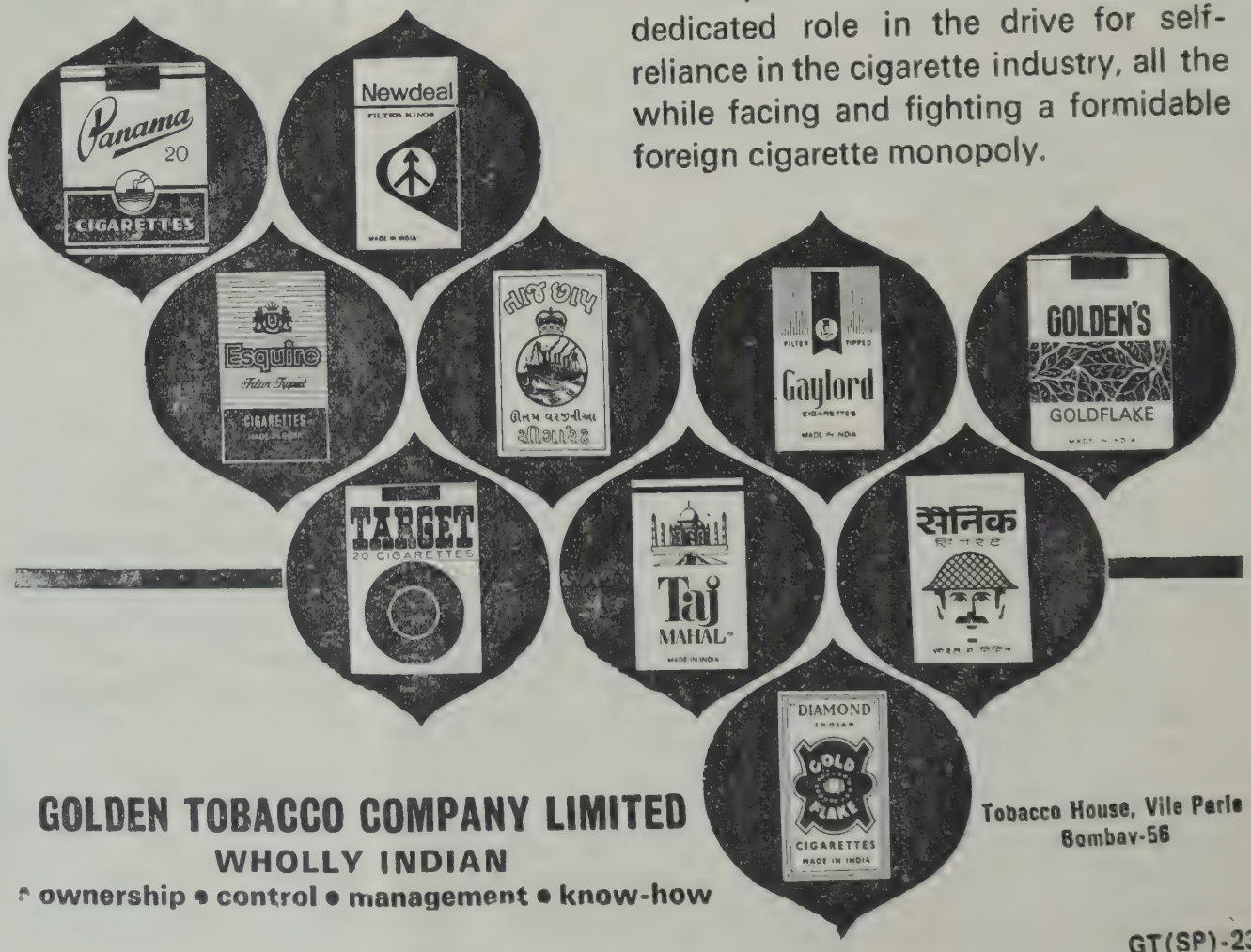
This country is the leading regional donor under the Colombo Plan. India provided 322 training and student places in 1971—69 per cent of the regional total for the year along with 12 technical experts to the region in 1971. India is the third largest recipient of trainee and student awards (845). Vietnam (1,870), Thailand (1,276) and Indonesia (712) were the other large recipients under the Colombo Plan Technical Co-operation Scheme in which the major donors are Australia, Britain, Canada, Japan, New Zealand and the United States. India received 109 experts in 1971, chiefly from the United States (52), Britain (34) and Japan (19). These facts are revealed in the 1971 Report of the Colombo Plan Council for Technical Co-operation in South and South-East Asia released recently. The Report will be considered at the Colombo Plan Consultative Committee Meeting to be held in New Delhi from Oct. 30 — Nov. 8.

Since its inception in 1950-51, the Colombo Plan Technical Co-operation programme has provided, 81,028 training and student awards for men and women from the region to acquire specialised training in the donor countries. This has been supplemented with the services of 15,278 experts, consultants and advisers in key areas of activity. The cumulative expenditure on technical assistance since the inception of the Plan has reached $1,679.6 million, spent in the proportion of 18 per cent on trainees and students, 51 per

25
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Increased Carriage of Coal

The Railways have stepped up loading of coal. The average loading from all coalfields in the country during the six months ending September last has been 7,988 wagons a day against 7,830 wagons in 1971-72. The daily loading of coal wagons from fields other than those in Bengal and Bihar went up from 1,934 in 1969-70 to 2,248 a day during the current year. There has been a marginal drop in the requirements of coal for the railways because of the progressive introduction of diesel and electric traction. This has, however, been offset by the increase in demand for coal from power houses and other bulk consumers. A higher trend in the loading of coal has been made possible despite several adverse factors affecting the movement of coal. Heavy detention and poor release of wagons at the destinations in the eastern region as well as frequent power cuts and electric failures affected railway operations.

High Speed Trains

A major breakthrough in the speeding up of trains in the country will be achieved when the new high speed bogie is introduced for commercial purposes. A prototype of the bogie, capable of running up to 200 kilometres an hour, has been designed by the Integral Coach Factory, Perambur, near Madras. Railway coaches built at the factory are already running at a speed up to 136 kilometres an hour on certain portion of the Rajdhani Express routes between New Delhi — Calcutta and New Delhi — Bombay. Tests of the new high speed bogie will be carried out by the Research, Designs and Standards Organisation of the Railways.

Roads Plans

In planning roads in the country the growing volume and type of traffic should be taken into account and the necessary sophistication required to cater to that need should be provided. This was observed by Mr Raj Bahadur, Minister of Shipping, Transport and Parliamentary Affairs, while inaugurating the Seminar on Roads and Buildings conducted by the Andhra Pradesh government at Hyderabad recently. The Minister added that an expenditure aggregating over Rs 1500 crores had been incurred on road development since the incepton of the first five-year Plan. As a result, there were today 1.25 million Kms of roads as compared to about 400,000 Kms at the beginning of the first Plan. A substantial length of these roads, however, was unsurfaced. Besides improving these roads, by metalling and surfacing them, Mr Raj Bahadur pointed out that the problem of growing traffic on our roads by widening the carriage-ways should also be tackled.

MMTC Turnover

The Minerals and Metals Trading Corporation has claimed a 41 per cent increase in its trade turnover during the first half of this year. The turnover between April and September was Rs 157.3 crores compared to Rs 111.7 crorer during the corresponding period last year. In September alone, its business totalled Rs 30 crores. The Corporation has set for itself a target of Rs 370 crores for the current financial year. Iron ore exports during the first half of the year were nearly five milion tonnes. The annual target for this item is 13 million tonnes. Ferro-manganese exports increased by 150 per cent during the first half, bringing an additional foreign exchange of Rs 1.3 crores. Business in steel items increased from Rs 8 crores to Rs 17 crores, in fertilisers from Rs 25 crorest to Rs 33 crores and in other industrial raw materials from Rs two crores to Rs three crores.

ESSO Offers Participation

Esso Standard Eastern Inc. had offered to the union government a participation proposal in which it would reduce its equity to 26 per cent with government holding 74 per cent, this was stated by Mr A. G. Neff General Manager of Esso, in Bombay recently. In a statement, Mr Neff pointed out that the management of the new company would consist of a board of directors on which government and Esso would have proportionate representation. Mr Neff added Esso was prepared to surrender its refinery agreement. In the interest of reaching a satisfactory agreement with the government, it had offered to give up its crude supply rights.

Buildings Construction Corporation

The National Buildings Construction Corporation is now poised to take up new challenges in the field of construction following its significant progress during 1971-72. According to the latest report, the Corporation recorded a net profit of Rs 13 lakhs and achieved a turnover of Rs 5.18 crores during the year. It is now planning a turnover of Rs 6 crores in the current year. The Corporation recently set up four new major units in Bangalore, Dehradun, Kota and Ramagundam. Another unit in Varanasi is being opened shortly. Besides, the Undertaking has 18 field units. The Corporation is executing at present a number of major works including the construction of 3,200 dwelling units for DDA in Delhi (Rs 218 lakhs); 608 bed military hospital in Calcutta (Rs 232 lakhs); quarters for CPWD in Delhi (Rs 56 lakhs) and IAC colony in Vasant Vihar in New Delhi (Rs. 129 lakhs)

European Union

The summit of nine heads of states and governments, after a marathon all-night session to resolve the future of the enlarged Common Market, reached an agreement on October 21 to transform before the end of the decade the whole complex of their relations into a European Union. The definition of its precise nature will be the task of the community's foreign ministers over the next two years, and their conclusions will be laid before a new Common Market summit, set for 1975. The summit also committed the community to achieveing full economic and monetary union by the end of 1980 and to entering a new phase of the step-by-step process towards this objective in 1974. Economic and monetary union is seen as the chief driving force for European integration and France had been pressing particularly hard for a strong commitment on this point. Britain got the commitment by the nine to set up a regional co-operation fund and work out the content of a community regional policy next year.

The summit also agreed that the fund should help not only poor agricultural regions but also areas suffering from industrial decline and structural unemployment. Another concrete result of the summit was the decision to increase political co-operation between the Common Market countries by providing for four annual meetings of foreign ministers on foreign policy co-ordination. At present there are two such sessions a year. The ministers will also report in the middle of next year on how to move closer towards political union.

Names in the News

Mr K.C. Balakrishnan has been appointed Sales Director (Tyres) of Dunlop India Limited, with effect from October 1, 1972. He was till recently General Sales Manager of the Tyre Division.

Mr R.S. Pandey, Managing Director, Tata Iron and Steel Company Limited, Jamshedpur was unanimously elected Chairman of the Structural and Metals Division Council of the Indian Standards Institution (ISI) at its fifteenth meeting held recently in New Delhi. The vacancy was caused by the death of **Mr J.J. Ghandy**. The Council also elected **Dr R. V. Tamhankar**, Director, Defence Metallurgical Research Laboratory, Hyderabad as its Vice-Chairman in place of **Mr O. S. Murthy** former Chairman of Bharat Heavy Electricals Limited.

COMPANY AFFAIRS

Century

CENTURY SPINNING and Manufacturing Co. Ltd has recived the consent of the Controller of Capital Issues to issue bonus shares on one for one basis by capitalising Rs 3.55 crores out of the general reserve. After the bonus issue, the company's subscribed and paid-up capital, including Rs 1.50 crores in preference shares, will increase to Rs 8.60 crores.

J. K. Paper

The speciality paper plant of J. K. Paper Mills, the first of its kind in the country, was inaugurated by the Orissa Chief Minister Mrs Nandini Satpathy at Jaykaypur on Oct. 22. This is a highly sophisticated and integrated paper plant consisting of rag preparation, rag pulping and paper machine sections. Its paper machine is of up-to-date design having latest equipments such as pressurised head box, modern fourdrinier section, presses, dryers and thyrister controlled drive. High instrumentation is one of its special features. The foreign exchange component of this Rs 13-crore project is barely 18 per cent. While most of the indigenous machinery has been fabricated by UTMAL (Utkal Machinery Ltd), the imported components have been supplied by Messrs H.M. Voith, GmbH, West Germany. This plant with an annual capacity of 7,500 tonnes will produce a wide range of high-grade machine finished tissues-foil lining, carbonising, fuse, and wax match. Another important range of products will be airmail, bank, bond and bible paper with rag furnish.

Further expansion schemes under implementation by Straw Products Ltd at its board mills and paper mills include expansion in the existing capacity of its paper board and writing and printing paper manufacturing plants by installation of balancing equipment and installation by end 1973 of an entirely indigenous coated paper plant to manufacture 4500 tonnes per annum of coated papers and boards. After these expansions are complted the company's turnover is expected to increase to about Rs 15 crores. This specialty paper plant will be the third plant to be put up by J. K. Paper Mills. The earlier two plants with a rated capacity of 21,000 tonnes per annum, are manufacturing high grade writing, printing and wrapping paper including MF papers and tissues.

Universal Steel

Universal Steel and Alloys Ltd has made satisfactory progress in the implementation of the project. The construction of the building is nearing completion and arrangements have been made for auxiliary services such as water and power. The Haryana State Electricity Board has sanctioned a power load of 3000 Kw to meet plant requirements. The furnace will be installed by the middle of next month and commercial production is expected to commence by December end or early January. Another eight-ton electric arc furnace is proposed to be installed by the middle of 1974. The company has approached the government for grant of an industrial licence for a continuous casting plant, a rolling mill and wire drawing plant. Permission has also been sought to manufacture alloy and special steel. As soon as the letter of intent is issued steps will be initiated to complete the expansion programme within about 18 months. This will enable the company to roll, the ingots into sections, flats wire rods and eventually wires. This was disclosed by the Chairman, Mr Raunaq Singh while addressing the annual general meeting of the company.

The mini steel plants are making significant contribution to the national economy. This is due to the relatively shorter gestation period of these plants as against the large steel mills, the difference being as much as five to six years. Already these plants are contributing about a million tonnes of liquid steel. But the chairman expressed concern about the proposal which is under the consideration of the government to impose excise duty on the manufacture of ingots by the arc furnace industry which was exempt from this levy so far. In fact it was the lure of better return on capital employed, the chairman emphasised, that has helped the increase in the steel making capacity by the arc furnace industry and this is no mean contribution especially when the country is facing acute shortage of this critical raw material. But this advantage has been offset by substantial rise in the price of scrap which is the principal raw material for this industry. Hence the chairman felt that in the present circumstances it would be an unwise step and not in the national interest to impose this burden on arc furnace industry.

Spencer and Co

Spencer and Co. Ltd has maintained the equity dividend at 20 per cent for the year ended June 30, 1972. With a rise in turnover from Rs 15.94 crores to Rs 20.83 crores the gross profit has moved up Rs 39.83 lakhs from Rs 3 lakhs in 1970-71. Out of gross profit, a sum of Rs lakhs was earmarked for reciation, Rs 35,000 to devel ment rebate reserve and 16.25 lakhs to taxation re for 1971-72 as against Rs lakhs, Rs 1.50 lakhs and 10 lakhs provided rsespecti in the preceding year. leaves a higher net profit Rs 13.98 lakhs as compared Rs 11.63 lakhs in 1970-

The modernisation plans Connemara Hotel, Madr are proceeding as per sched A phased programme has b chalked out for redecorat of certain portions and mak some other internal chan of the old Connemara. A improvements continue to carried out at West End H at Bangalore under a pha programme. The new con rence hall at West End has come very popular and h yielded substantial earnings the company. The Rob R Tea Estate turned out poor crop last year on accou of an unusually long spell drought conditions in the N giris. The average price cured in auctions, howev continued to be higher than the previous year. The man gement is now examini suitable schemes for he alt native utilisation of the Kanp canning factory which w closed down in April last its working was found to very uneconomical. Also t excess vacant land at Dindig cigar factory is proposed to developed for being sold house sites.

Bharat Bijlee

Bharat Bijlee has repor marked improvements in working results during the y ended June 30, 1972. Wit sharp upswing in sales fr Rs 4.20 crores to Rs 5.07 cro gross profit has shot up over 150 per cent to Rs 78 lakhs from Rs 30.93 lakhs 1970-71. Encouraged by working results the board directors of the company h recommended a higher equ dividend of 15 per cent inclu a cash bonus of three per c

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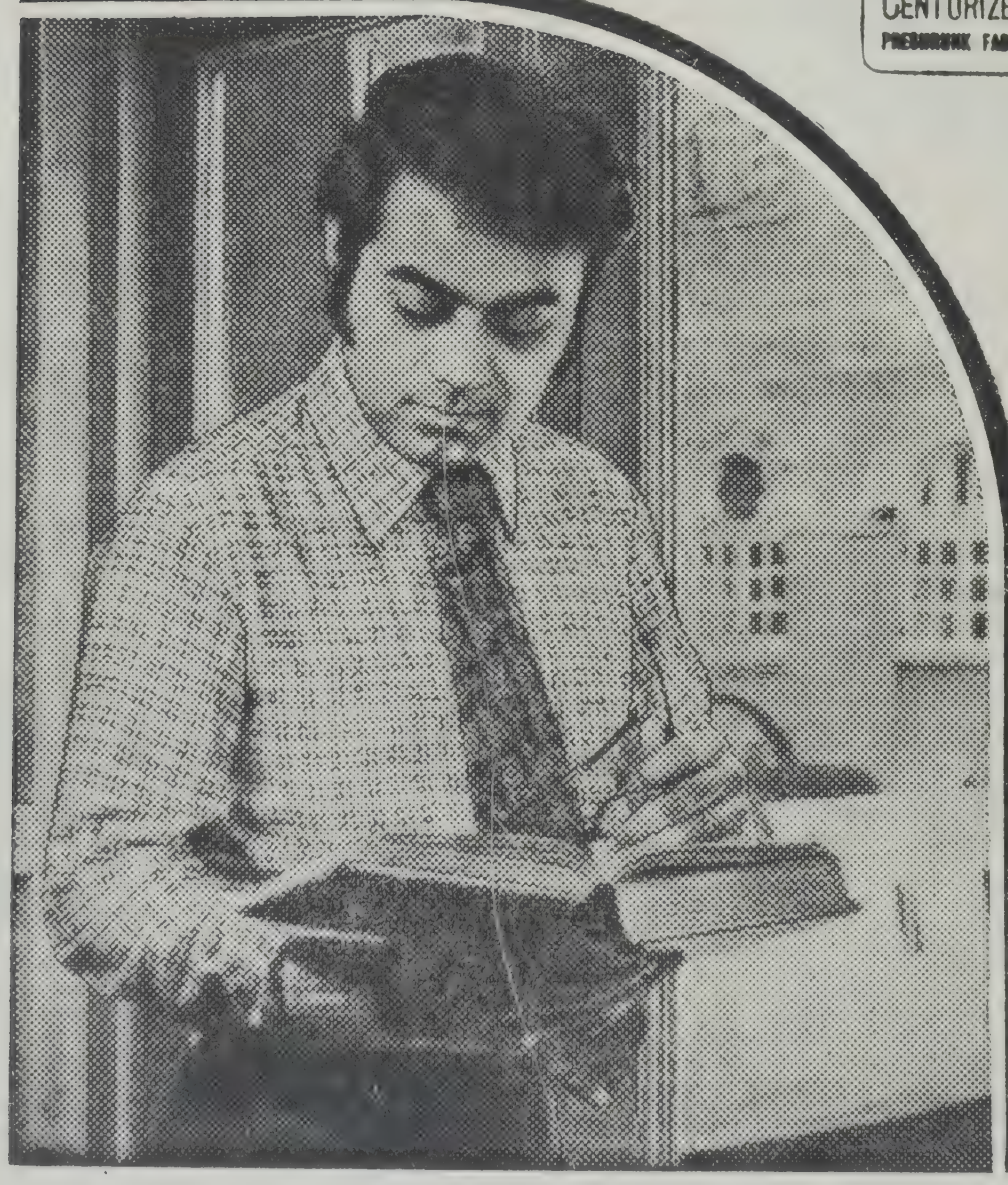
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for 1971-72 as against 10 per cent paid for the previous year. The proposed dividend will be exempt from tax in the hands of shareholders. Out of the gross profit a sum of Rs 10.80 lakhs was set aside for depreciation and Rs 0.37 lakh for development rebate reserve as against Rs 11.05 lakhs and Rs 1.13 lakhs provided respectively in 1970-71. An amount of Rs 3.00 lakhs was appropriated for meeting tax liabilities as against no allocation in the preceding year. This leaves a substantially higher net profit of Rs 63.99 lakhs as compared to Rs 18.75 lakhs in 1970-71. After adjustments a sum of Rs 64.34 lakhs was transferred to general reserve as against Rs 18.93 lakhs in the earlier year out of which the dividends will be paid. The improved performance during 1971-72 is attributed to a more profitable working of the transformer division in terms of price realisation and production. The pending order position for transformers with the company is quite good but the directors feel that it is difficult to be sanguine about the demand for motors from the rural sector because of uncertainty regarding power supply and drought conditions in many states. The company has recently started the manufacture, installation and maintenance of lifts and the new activity is expected to make a valuable contribution to the company's turnover and profit in the coming years.

Morarjee Goculdas

Morarjee Goculdas Spinning & Weaving Co. Ltd, proposed to issue, subject to the consent of the Controller of Capital Issues, bonus shares in the proportion of one share for every four shares held. The proposed bonus issue will be made by capitalising a sum of Rs 37.35 lakhs out of the company's general reserve. The directors of the company have also recommended a higher equity dividend of 14 per cent for the year ended June 30, 1972 as compared to 10 per cent declared for 1970-71. With an increase in sales from Rs 10.14 crores to Rs 12.03 crores the gross profit has gone up to 107.7 lakhs from Rs 100.2 lakhs in 1970-71. Out of the gross profit, a sum of Rs 43.60 lakhs was transferred to depreciation reserve, Rs 21 lakhs to taxation reserve, and Rs 14 lakhs to development rebate reserve as compared to Rs 37.53 lakhs, Rs 20 lakhs and Rs 14 lakhs provided respectively in 1970-71. This leaves a net profit of Rs 29.18 lakhs as against Rs 28.69 lakhs in the earlier year. The proposed equity and preference dividends will claim Rs 22.04 lakhs, Rs 5.98 lakhs more than in 1970-71.

Premier Automobiles

Premier Automobiles Ltd has reported marked improvement in its working results during the year ended June 30, 1972. With a sharp rise in sales from Rs 37.62 crores to Rs 40.33 crores, gross profit has jumped from Rs 35.80 lakhs to Rs 195.22 lakhs. Adding to the gross profit the price difference arrears in respect of cars sold during the earlier year amounting to Rs 24.30 lakhs, tax refunds of Rs 0.74 lakh and carried forwards surplus of Rs 0.86 lakh the amount available for disposal comes to Rs 221.12 lakhs. Out of this, the company has provided Rs 102.69 lakhs towards development rebate, Rs 97.05 lakhs for depreciation in respect of previous years and Rs 15.33 lakhs for unserviceable items of inventory. This leaves a balance of Rs 6.05 lakhs which has been carried forward to the next year's accounts. With the allocation of Rs 102.69 lakhs for development rebate reserve, all arrears of development rebate remains fully provided.

No allotment has been made for depreciation for 1971-72 amounting to Rs 135.85 lakhs. It will take quite some time for the company to clear the arrears and reward the shareholders with a dividend.-

Kamani Engineering

The Controller of Capital Issues has given consent to Kamani Engineering Corporation to issue additional equity shares of Rs 41.25 lakhs by way of 'rights' at par; 9.5 per cent cumulative redeemable preference shares of Rs seven lakhs; and redeemable convertible mortgage debentures of Rs 45 lakhs carrying a rate of interest not exceeding 8.5 per cent per annum. The ICICI and UTI have agreed to subscribe to the debentures of the value of Rs 25 lakhs and Rs 20 lakhs respectively. One of the conditions stipulated by these financial institutions is that they will have an option to convert a part of these debentures in 1973-74 and 1974-75 into equity shares of Rs 10 each at a premium of a rupee per share. ICICI will have option to convert debentures up to Rs 5.50 lakhs and UTI up to Rs 4.40 lakhs. The company's shareholders have approved the resolution concerning this proposal at the extraordinary general meeting held recently.

Richardson Hindustan

Richardon Hindustan Ltd has suffered a setback in its operations during the year ended June 30, 1972. Despite a handsome rise in sales from Rs 4.83 crores to Rs 5.24 crores the gross profit has declined to Rs 60.65 lakhs from Rs 82.39 lakhs in 1970-71. The directors have, however, substantially enhanced the equity dividend to 18 per cent as against 10 per cent paid in the previous year. Out of the gross profit the directors have provided Rs 18 lakhs for depreciation, Rs 1.60 lakhs for development rebate reserve and Rs 25.50 lakhs for taxation as against Rs 16.68 lakhs, Rs 1.20 lakhs and Rs 33.50 lakhs provided respectively in 1970-71. This leaves a lower net profit of Rs 15.56 lakhs as against Rs 31 lakhs in the preceding year. After adjustments a sum of Rs 16.90 lakhs was transferred to general reserve as against Rs 31.29 lakhs in the previous year. The proposed dividend will claim Rs 12.60 lakhs, Rs 5.60 lakhs more than in 1970-71 and will be paid out of the general reserve.

News and Notes

Expansion and Diversification

American Refrigerator Company's expansion and diversification programmes are progressing well. Its blower project at Calcutta has reached a satisfactory stage of production and the quality of blowers manufactured had been well received by the market. The hydraulic machine tools project is also under expansion and it is expected to be completed by the beginning of the next financial year. The final decision about the deep sea fishing project will be taken soon. According to the directors the airconditioning and refrigeration industry, is facing serious difficulties owing to the high excise duty and exorbitant sales tax rates which together took the levies to as high as 72 per cent and that too without taking account the excise and other taxes on raw materials. In spite of the representations made by the industry, the directors regret, no relief in taxes and duties had so far been granted to it. The industry also continued to suffer from serious shortages of steel which is the principal raw material. Despite severe competition it is hoped that the company will be able to secure adequate orders and hence the directors look forward to the future with reasonable optimism.

New Issues

Trimurti Agro Chemicals is setting up a Rs 75-lakh NPK complex fertiliser project by wet chemical granulation process at Mangrol, a sea port in Janagadh district of Gujarat. This small mini fertiliser project will include in its range of production ammonium polyphosphate and other highly concentrated fertilisers with a capacity of 50,000 tonnes per annum. Initially fertilisers for groundnut, cotton, wheat, rice, plantations and sugarcane will be manufactured. Being a small one, the plant will be able to give various types of products mix suitable for various soils and crops. It has also plans to provide technical services to its prospective customers. The factory which is being established with technical know-how from Tenessee Valley Authority of USA is expected to commence commercial production by September

1973. Production during the year ending March 1974 is expected to be about 20,000 tonnes which should enable the company to declare a maiden equity dividend for 1973-74. To raise part of the resources required for the implementation of the project the company is expected to enter the capital market towards the end of next month to raise through public subscription about Rs 15 lakhs in 1,50,000 equity shares of Rs 10 each. The public issue is fully underwritten.

The sixth series of **SICOM's** six per cent 12-year bonds of two crores rupees have been over-subscribed. Ten per cent of the over-subscription will be retained by SICOM as per the terms. The bonds are guaranteed by the government of Maharashtra. The proceeds will be utilised for financing the corporation's plans for promoting industries in the state's developing regions.

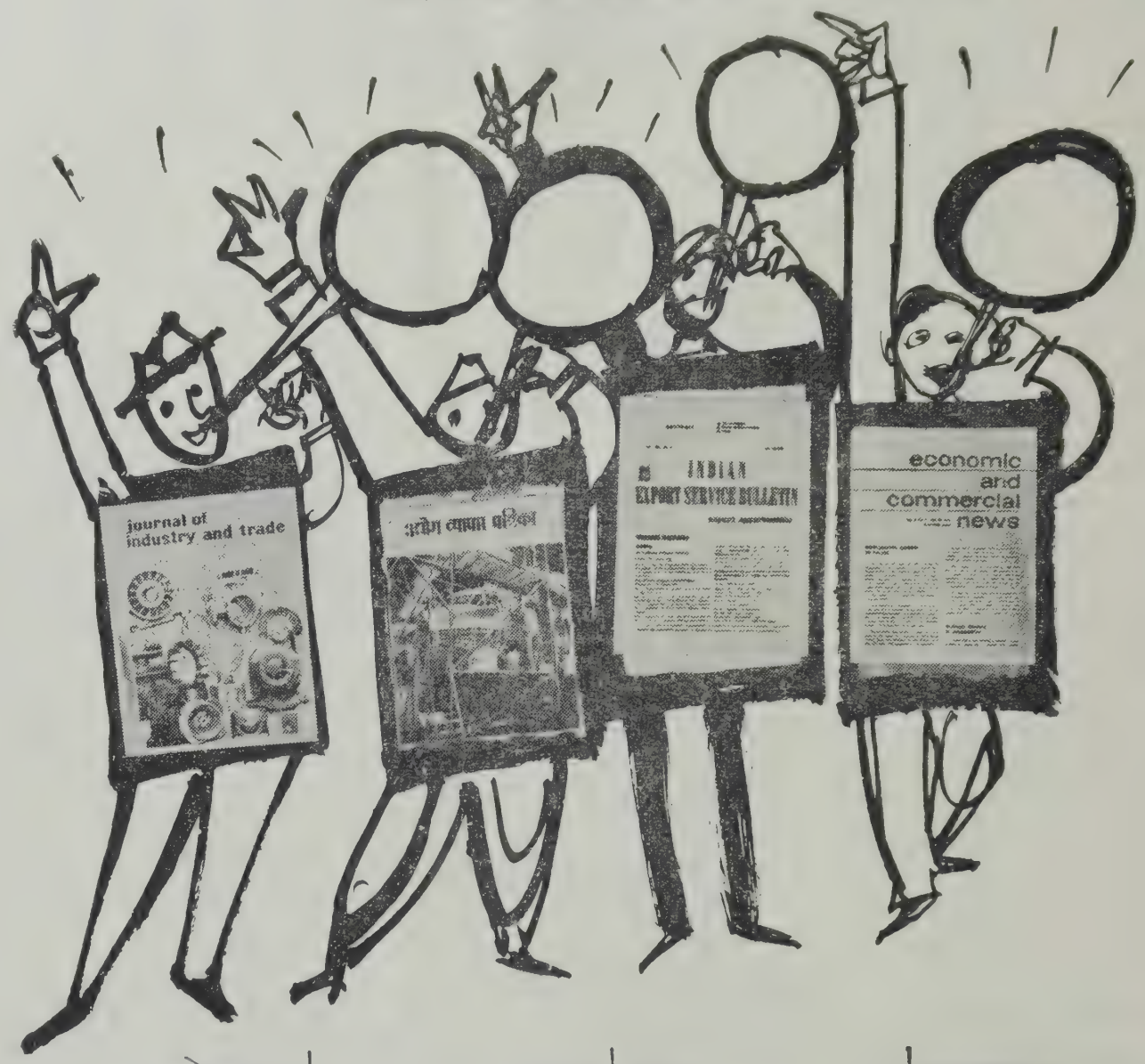
New Ventures

The Gujarat government has decided to set up five new companies—**Gujarat Automobile Products, Gujarat Rubber and Tyres, Gujarat Synthetic Fibres and Chemicals, Gujarat Steel and Engineering Products and Gujarat Cement and Ceramics**—in the state sector with a total investment of Rs 65 crores. The state government's share in each of these units, it seems, will be to the tune of 51 per cent. Automobile tyres and tubes will be manufactured in collaboration with International B.F. Goodrich, Akron, USA. Gujarat Synthetic fibres and Chemicals Co will produce caustic soda, mono methyl methacrylite, cresols, nylon-6 filament yarn and carbon black. Production of 'Girnar' scooter will be taken up by the automobile products company. Some 24,000 scooters will be manufactured under this project. Fuel injection pumps, mini steel plants will be covered by Gujarat Steel and Engineering Products Co. A cement factory with a capacity of producing two lakhs tonnes of cement annually will be constructed by Gujarat Cement and Ceramic company

A small offset duplicator "Swift 150" useful for commercial and industrial houses, local authorities, universities, schools and other organisations has been developed by **Swifts Private Ltd** of Bombay without any foreign collaboration. This tidy machine claimed to be the first of its kind in India—can be used economically and conveniently in the place of the conventional duplicating equipment. This machine will solve

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he problem of readability in he duplicated material since ts advanced technique of re-roduction helps to get the opies sharp, clean and elegant. The machine could be used as a sophisticated duplicator on ne hand and a printing ma-hine on the other. The great dvantage is that it can print on oth sides of the paper simul-aneously. The company has al-eady sold eight such machines nd it proposes to produce 30 nachines per annum.

Vimal Enterprises' unit at mbergam, Gujarat, has com-nenced production of magnetic ound recording tapes. This enture is a truly swadeshi nterprise as it has neither oreign financial participation nor technical collaboration. The Gujarat Industrial Invest-ment Corporation Ltd has not only given financial assis-ance to the unit but it is also aking keen interest in the rowth of the company, it can e said, that GIIC has become lmost a partner with Vimal. nitially the company will be nanufacturing 1.20 million ft f tapes equivalent to ne lakh reels and increase t to three million ft i.e. 2.50 akhs reels per shift in one ear's time. The standard size ape will be priced at Rs 56 whereas imported tapes are old in the country between Rs 2 to Rs 92. The company's ales at one lakhs reels per nnum is expected to be around s 40 lakhs. Yogesh Electro-ics Pvt Ltd, a sister concern, as also finalised plans for the anufacture of cassettes in all ur standard international izes. According to current in-ications cassettes will be put n sale in the markets some-me in February next.

N.S.H. Business Machines vt. Ltd, Ghaziabad, have just troduced into the market the htest and simplest electro-c desk calculator made with nt per cent indigenous know-w and having about 90 per nt indigenous raw material d components. Claimed to be e first electronic calculating achine to incorporate the rge-scale integrated circuit chnology, the calculator can rform addition, substraction, multiplication and division operations on 16 digit numbers and give accurate answers up to 7 digit decimal places. It has also memory for storage and mixed calculations and other features designed for business calculations like a floating decimal point.

The calculator weighs just 2 kg and is priced at Rs 6,000 exclusive of taxes. Inclusive of taxes the consumer price comes to about Rs 7,150. The company has a capacity to manufacture 2,000 machines a year. It has plans to undertake manufacture of two other models—a ten-digit model to be priced at about Rs 3,000 and a pocket-size model. The 10-digit model is expected to be ready in two months and the pocket size model in eight months.

New Registrations

Two public companies—Eagle Business Machines Ltd, and Raman Gujarat Ltd,—with a total authorised capital of Rs 1.50 crores were registered in Gujarat during September 1972. Fifteen private companies with a total authorised capital of Rs 93.90 lakhs were registered during the month. They were : Gandhi Engineering Pvt Ltd, Meghdoot Dyeing and Printing Mills Pvt. Ltd, Personal Hygienical Products Pvt Ltd, Manhhattan Business Systems Pvt Ltd, Nubian Yarn Products Pvt Ltd, Rupam Steel Pvt Ltd, Panchmahal Steel Pvt Ltd, Gujarat Linkers and Financiers Pvt Ltd, Panchmahal Navjivan Benefit Pvt Ltd, Clips Engg. Works Pvt Ltd, Vikram Steel Pvt Ltd, Western India Construction Co Pvt Ltd, K. N. Minerals, Pvt Ltd, Shri Chamunda Spg. Industries Pvt Ltd, and Concorde Tours and Travel Pvt Ltd.

One public company Textile Engravers Ltd — was transferred from Gujarat to Maharashtra following an order of the High Court of Gujarat.

Two private companies — New Morvi Engg. and Pressing Co. Pvt Ltd, and Gaekwad Chinai and Co Pvt Ltd — with a total paid-up capital of Rs 2.15 lakhs have gone into liquidation.

In Brief

Bayer (India) Ltd has received sanction from the Controller of Capital Issues for its one-for-five bonus issue.

Indian Aluminium Company Ltd has received the consent of the Controller of Capital Issues to issue bonus shares on a one-for-two basis.

Albright Morarji and Pandit Ltd has been accorded consent by the Controller of Capital Issues to issue bonus shares in the ratio of two-for-five.

Interim Dividend

The Board of Directors of **Food Specialities** has declared an unchanged interim dividend of 10 per cent for the year ending December 31, 1972. Last year the company paid a total dividend of 29 per cent, with a second interim of 14 per cent and a final of five per cent.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Jagatjit Sugar Mills	April 30, 1972	10.0	Nil
United Breweries	March 31, 1972	12.0	10.0
Bird Investments	March 31, 1972	6.0	Nil
Same Dividend			
Colour Cartons	December 31, 1971	17.5	17.5
Aluminium Industries	March 31, 1972	Nil	Nil
Kirloskar Pneumatic	June 30, 1972	15.0	15.0
National Insulated Cable Co. of India	March 31, 1972	8.0	8.0
Bradbury Mills	March 31, 1972	Nil	Nil
Sarvaraya Textiles	March 31, 1972	Nil	Nil
Calcutta Electric Supply Corporation	March 31, 1972	10.0	10.0
Reduced Dividend			
Diamond Products	March 31, 1972	Nil	7.5
Bombay Swadeshi Stores	June 30, 1972	12.0*	16.0
Rydak Tea	December 31, 1971	7.0	10.0
Assambrook Estates	June 30, 1972	1.0	10.0
Kirloskar Oil Engines	March 31, 1972	Nil	6.0
Shivaji Works	December 31, 1971	Nil	6.0

*On the increased capital.

HINDUSTAN SHIPYARD LIMITED

Extracts from speech delivered by Sri S. Balakrishna Shetty, Chairman and Managing Director, at the Twentieth Annual General Meeting of the Company held in New Delhi on September 28, 1972.

To begin with, the year 1971-72 could possibly be regarded as by far the best in the history of the Shipyard inasmuch as a peak level of profit has been reached during the year. Despite the various limitations from which the Yard is suffering, I would regard our performance in 1971-72 as creditable from many points of view. This is particularly so as the new Drydock was commissionned only in the last week of August 1971 and has been effectively in use only for 7 months during the year.

The Yard has made the highest ever profit of Rs 58.93 lakhs during the year—a big leap forward in the matter of profits. The Yard has constructed and delivered three ships besides a landing craft built for its own use. Above all, industrial relations in the Yard have been very good in that not a single manday was lost due to stoppage of work or other industrial disturbances.

Althought the value of production during the year has gone up a little over 10 per cent compared to last year, this figure of increase would have been far more impressive but for the continued constraints arising from simultaneous execution of the development programme and the inordinate delays in the installation of heavy cranes, besides postponement of certain vital items of development pending receipt of the report of the Consultants.

As I have explained in the past, provision of these cranes represents a crucial facility for handling, the absence of which is the most critical and vital bottleneck for increasing productivity in the hull construction side. We are at the same time concentrating on stepping up productivity and increasing production by various other measures such as introduction of a multi-trade system. etc. We are hoping that the cranes will reach us at least on the dates now promised, which is more than three years later than they were anticipated four years ago.

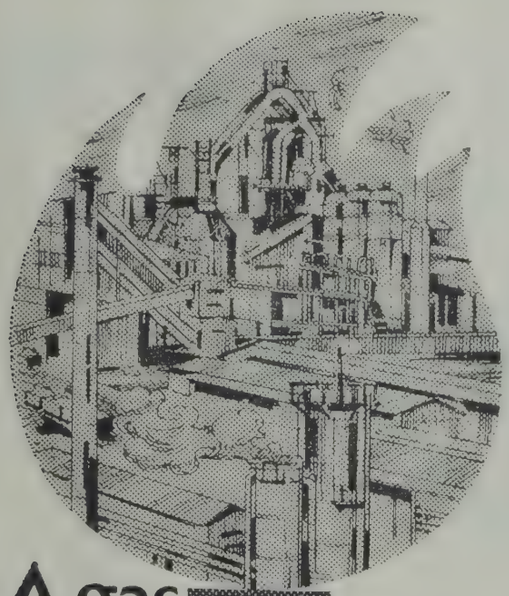
As you are aware, the procurement of materials in shipbuilding has been the weakest segment in the scheme of things currently obtaining in the country. This is basically due to the acute shortage of foreign exchange which has to be conserved to the maximum extent feasible and the problems arising from a transitional economy in respect of import substitution. The precedures relating to imports have now been streamlined with the assistance of Government and a Steering Committee has been appointed by the Ministry of Transport and Shipping to deal with the Shipyard's requirements of import. In addition, a certain amount of foreign exchange in free resources is kept at our disposal to meet unforeseen contingencies —a step which will go a long way to obviate hold-ups for want of small but vital items. The problems relating to indigenous supplies still continue to persist. We are compelled to depute frequently our technical officers to the works of indigenous manufacturers for purposes of chasing and to ensure the production and supply of materials in time and this has lately proved to be a major distraction for us.

Under the conditions in which we operate in our country shipbuilding can be carried out, efficiently and economically only if the order book of the Shipyard is kept full at all times. Even in advanced countries like Japan a minimum of two years is necessary for any shipyard for effective planning before keel laying. Perhaps in our conditions about 30 months may be considered inescapable. In other words, the Yard must have orders at all times for 4 to 5 years production. To my mind the best way of dealing with this situation is to make a study and projection of demand for ships during the next 5 to 10 years, taking into account all relevant factors, and evolve a few basic types suitable to meet the varying requirements of all the owners. If a few basic types are thus standardised, it would then be possible to build speedily and economically ships for the benefit of all concerned.

Apart from the development programme, which is under implementation, it is time that we think of providing facilities for repairing and also constructing bigger vessels beyond 60,000 DWT which will be the ultimate maximum size of ships that could enter the Visakhapatnam Port, particularly as the need for providing such facilities will be keenly felt after the Outer Harbour is commissioned. The Outer Harbour is designed to carry ore carriers of 100,000 DWT in the initial stage and of 200,000 DWT in the final stage and will thus be one of the deepest artificial harbours in the world. In the absence of repair and docking facilities in the Outer Harbour area, the bigger vessels calling at the Outer Harbour will necessarily have to be taken elsewhere in ballast for major repairs and surveys — a wasteful and uneconomic exercise —since the Vizag Port would be a terminal port for those large ore carriers. Thus it would be an ideal proposition to think of providing additional facilities in the Outer Harbour area to handle repairs to such type of vessels. These facilities should appropriately consists of a large repair berth and also a big drydock.

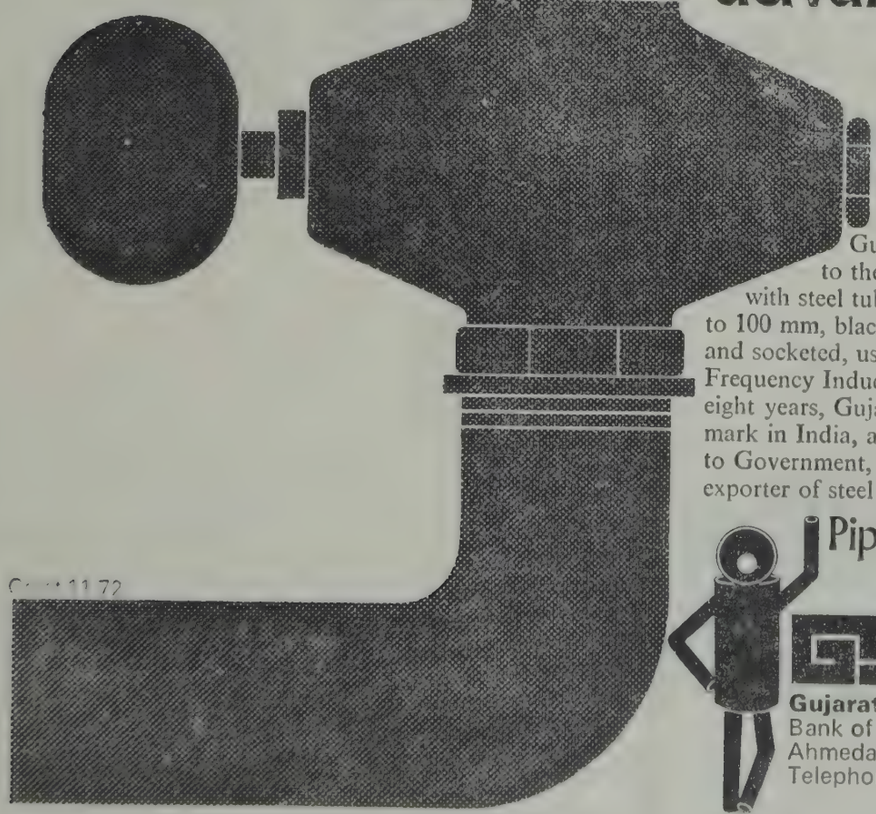
Although the new pricing formula has become effective from 1st April, 1971, it will be necessary to watch its impact on the vessels constructed hereafter in order to determine whether, it is adequate to meet the needs of the situation. Its effect would be felt only in 1973-74 or later. I would in this connection urge that the Indian shipyards should explore possiblities of including in their production programme the construction of a few ships for export so that, in fullness of time, the marketing of ships produced in the country does not pose any serious problem. I am glad that the current thinking of the Governemtn is in line with this.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting



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An industry advances



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In May, 1962 Hindalco started production of aluminium with a smelter capacity of 20,000 tonnes a year. The capacity was raised to 40,000 tonnes in November, 1965, 60,000 tonnes in August, 1967 and to 80,000 tonnes in May, 1969. Plans are in hand to expand the plant further to 120,000 tonnes by end-1973

Between May, 1962 and December, 1970 Hindalco, now India's largest producer of aluminium, has produced 372,903 tonnes of aluminium, which has saved for the nation nearly Rs. 180 crores of precious foreign exchange

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HINDALCO

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WORKS : P.O. RENUKOOT, DISTRICT MIRZAPUR, U.P.

RECORDS AND STATISTICS

Distribution of agricultural income

INDIA'S agricultural income rose from Rs 5,892 crore in 1960-61 to Rs 14,197 crore in 1970-71, an increase of 142.6 per cent as compared to a rise of 137.5 per cent in national income, according to the Economic and Scientific Research Foundation. In its latest study Distribution of India's Agricultural Income arising from Crop Production, the Foundation points out that this increase in agricultural income is not evenly distributed; this is a fact not always adequately realised, but which gains significance against the background of our looking round for additional resources.

Punjab recorded the highest rate of increase at 241.2 per cent, followed by Haryana at 223.5 per cent and Gujarat at 203.0 per cent. The rates of increase in Rajasthan, Mysore, Orissa, Jammu & Kashmir and Kerala were in each case more than the national average, while Maharashtra recorded the lowest rate at 96.0 per cent.

Tamil Nadu and Uttar Pradesh increased their agricultural incomes by 140.3 per cent and 139.4 per cent respectively.

Five states did not show much progress over the decade. These were Bihar (105.4 per cent), Andhra Pradesh (117.1 per cent), West Bengal (124.3 per cent), Assam (125.0 per cent) and Madhya Pradesh (125.7 per cent).

In a statewise comparison of the percentage of rural population and the contribution to the country's total agricultural income, the study says that Punjab, which has only 2.3 per cent of the total rural population of India, increased its contribution to the country's total agricultural income from 3.2 per cent in 1960-61 to 4.6 per cent in 1970-71. Haryana and Gujarat, whose rural population is 1.9 per cent and 4 4 per cent respectively increased their relative shares of agricultural income from 2.3 per cent and 5.1 per cent to 3.0 per cent and 6.3 per cent respectively.

The relative shares of Maharashtra and Bihar, whose rural population is respectively 7.9 per cent and 11.6 per cent of the total rural population of India, declined from 10.5 per cent and 8.2 per cent to 8.5 per cent and 7.0 per cent respectively.

Four other states with a big rural population also showed a decline in their relative shares of the country's agricultural income. The share of Uttar Pradesh with 17.3 per cent of India's rural population declined from 16.1 to 15.9 per cent. Similarly, the share of Andhra Pradesh, with 8.0 per cent of India's rural population declined from 8.0 to 7.2 per cent, while that of Madhya Pradesh with 7.9 per cent of the total rural population declined from 8.3 to 7.7 per cent. West Bengal with 7.6 per cent of India's rural population also registered a decline in its relative share from 7.4 to 6.8 per cent.

The Foundation's study has estimated that, out of the total number of rural households in the country, less than one per cent, that is 0.79 per cent households had an agricultural income of more than Rs 20,000. Their combined agricultural income formed 9.8 per cent of the country's total agricultural income. Such affluent rural households were relatively more numerous in Punjab, Haryana, Rajasthan, Gujarat, Maharashtra, Madhya Pradesh and Mysore, in each of which state they constituted more than one per cent. The seven states together accounted for more than seven-tenths of the total number of "top income" rural households of the entire country, though their share of the total rural population of India was no more than 34.3 per cent.

There were wide inter-state variations in the relative shares of these "top income" rural households. In Punjab, Haryana and Rajasthan they accounted for more than one-fifth of the total agricultural income of their respective states. In Assam, Jammu & Kashmir and West Bengal, the irrelative share was less than one per cent

The other states can be classified into two groups, also based on the relative share of the "top income" groups in the respective states' agricultural income. In Maharashtra, Mysore, Andhra Pradesh, Madhya Pradesh, Gujarat, Orissa and Kerala, the share of these households varied from 9 to 16 per cent. The other group consists of Bihar, Tamil Nadu, and Uttar Pradesh, where the relative share of these households ranged from one to five per cent.

What is the scope for raising additional resources from these households? It would appear that additional resources ould be garnered from these households. However, this needs to be qualified by a number of considerations. This figure of Rs 20,000 is at best an average one; there could be households with agricultural income far above or below this within the top income category. Mroeover, the income estimated is that of households and not of indivi-

TABLE I

Estimates of Agricultural Income of Different States of the Indian Union in 1960-61 and 1970-71 (at current prices)

States	Agricultural Income (Rs crore)		Percentage increase in agricultural income during the last decade
	1960-61	1970-71	
1. Andhra Pradesh	468	1015	117.1
2. Assam*	197	443	125.0
3. Bihar	480	987	105.4
4. Gujarat	296	896	203.0
5. Haryana	133	430	223.5
6. Jammu & Kashmir	36	99	174.4
7. Kerala	240	626	160.5
8. Madhya Pradesh	485	1095	125.7
9. Maharashtra	612	1199	96.0
10. Mysore	323	855	164.5
11. Orissa	276	723	162.4
12. Punjab	189	646	241.2
13. Rajasthan	271	813	200.2
14. Tamil Nadu	391	940	140.3
15. Uttar Pradesh	945	2264	139.5
16. West Bengal	431	967	124.3
All-India**	5852	14197	142.6

*Including Nagaland & Meghalaya.
**including all other states and union territories.

duals. In so far as the total income of a household accrues to and is shared by its individual adult members, the taxable capacity would be less. As ceilings on agricultural lands get lowered, this taxable capacity would be further reduced, particularly of those whose sole sources of income is agriculture. To the extent the distribution of income within the top income group of households is not known and is subject to uncertain influences, the total amount of direct tax realisation cannot be quantified. Any such assessment will not be reliable without a rigorous field study.

TABLE II

Statewise Distribution (percentage) of India's Agricultural Income and Rural Population

States	Percentage distribution of agricultural income		Percentage distribution of rural population
	1960-61	1970-71	as on 1971
1. Andhra Pradesh	8.0	7.2	7.98
2. Assam*	3.4	3.1	3.43
3. Bihar	8.2	7.0	11.55
4. Gujarat	5.1	6.3	4.37
5. Haryana	2.3	3.0	1.87
6. Jammu & Kashmir	0.6	0.7	0.86
7. Kerala	4.1	4.4	4.06
8. Madhya Pradesh	8.3	7.7	7.95
9. Maharashtra	10.5	8.5	7.90
10. Mysore	5.5	6.0	5.05
11. Orissa	4.7	5.1	4.59
12. Punjab	3.2	4.6	2.34
13. Rajasthan	4.6	5.7	4.83
14. Tamil Nadu	6.7	6.6	6.53
15. Uttar Pradesh	16.1	15 9	17.33
16. West Bengal	7.4	6.8	7.64
All India**	100.0	100.0	100.0

*including Nagaland and Meghalaya.
**including all other states and union territories

TABLE III

Percentage of Rural Households Having an Average Agricultural Income of more than Rs 20.000 per Household in 1970-71

States	No. of rural households (having an average agricultural income of more than Rs 20,000) as percentage of the total No of rural households	Percentage contribution of these 'top income' rural households to the total agricultural income of the respective states and Indian Union
1. Andhra Pradesh	0.95	13.50
2. Assam*	0.05	0.49
3. Bihar	0.18	3.77
4. Gujarat	1.18	11.30
5. Haryana-Punjab	2.49	21.14
6. Jammu & Kashmir	0.05	0.90
7. Kerala	0.72	9.17
8. Madhya Pradesh	1.13	11.72
9. Maharashtra	1.68	15.19
10. Mysore*	1.46	14.01
11. Orissa	0.84	10.36
12. Rajasthan	3.55	25.90
13. Tamil Nadu	0.25	5.40
14. Uttar Pradesh	0.11	2.13
15. West Bengal	0.06	0.96
All India**	0.79	9.78

*including Nagaland and Meghalaya.
**including all other states and union territories.

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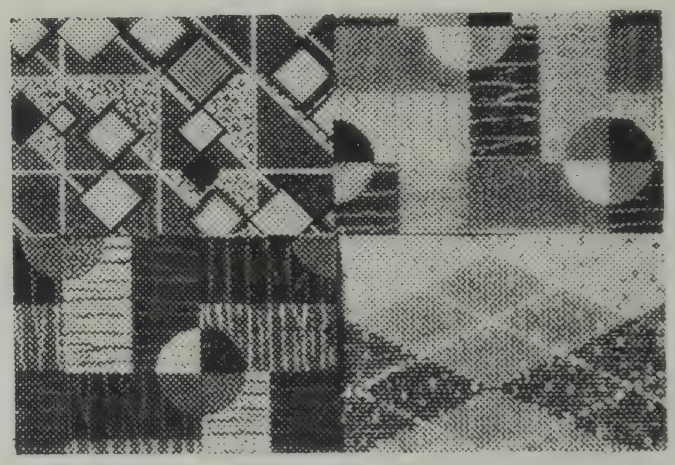
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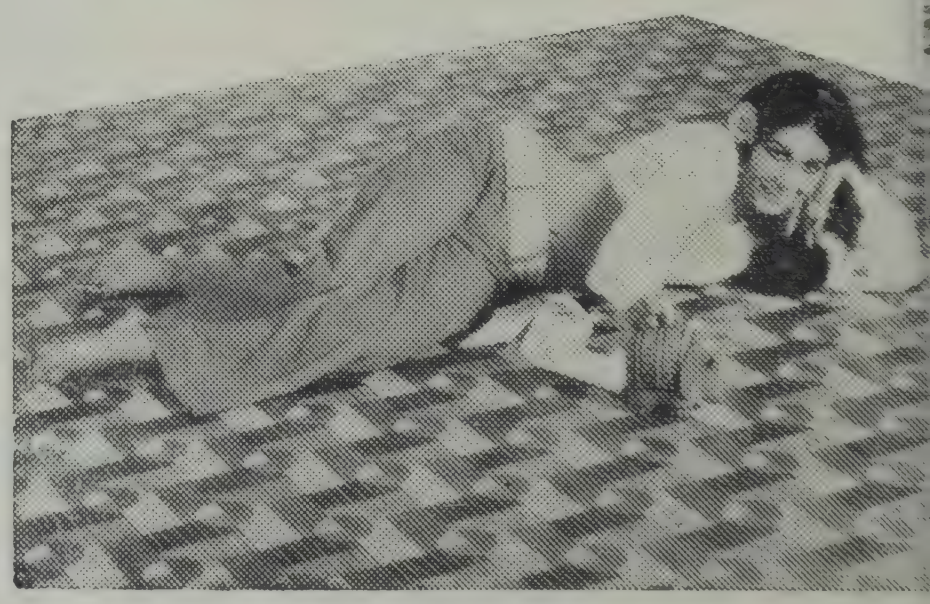
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Foreign Collaborations

HE GOVERNMENT of India approved of 54 technical/financial collaborations in the second quarter (April-June) this ear. There were 12 cases of collaboration with West Germany, nine with the USA, six each with Japan and Luxembourg, ree with France, four with the UK, two each with Italy, Czechoslovakia; Netherlands and the USSR, and one each with Denmark, weden, Belgium, Canada, Switzerland and Yugoslavia. Seven cases involved financial participation also.

Indian Company	Foreign Collabotrator	Item of Manufacture
1	2	3
	India-U.S.A.	
1/s Suraj Industrial Packing Ltd, Lucknow.	M/s Beliot Corporation, Wisconsin, and M/s Sandy Hill Corpn., New York.	Newsprint Rayon Grade Pulp.
1/s Madras Rubber Factory Ltd, Madras.	M/s Mansfield Tyre & Rubber Company.	Automobile Tyres and Tubes.
1r Chinubhai Kilachand, Bombay.	M/s Peter J. Schweitzer Division (Subsidiary of M/s Kimberly Clark Export Corpn. Ltd) New York.	Cigarette Filter Rods.
1/s Indo-Ceylon Dental & Surgical Co. Ltd, Madras. (F)	M/s Novocol Chemical Manufacturing Co.	Monocaine Hydrochloride, etc.
1r Arjun Kapur, Delhi.	M/s American Photocopy Equipment Co., Evanston.	Electrostatic Copying, Machines Coated Paper and Toner Ink.
1/s Electronics Corpn of India Ltd., Hyderabad.	M/s R.F. Systems, Cohasset.	Los Antennae with Feed.
1/s Indian Petrochemicals Corpn Ltd, Jawahar Nagar.	M/s Universal Oil Products Co., and M/s Procofrance Engg. France.	Butadiene. Exraction Plant.
1/s Pacific Chemicals Hindustan Ltd, New Delhi (F)	M/s Dow Chemicals Co.	Pesticidal Formulations.
1/s Allied International Products Ltd, New Delhi.	M/s Oriental Industries Inc., New York.	Automobile & Aircraft General Spare Parts.
	India-Canada	
1/s Modipon Ltd, Modinagar.	M/s Forestal, Vancouver.	Survey and Resources Study of J. & K. Forests for Integrated Rayon Grade Pulp Unit.
	India-U.K.	
1/s G. Varadan Pvt. Ltd., Bombay. (F)	M/s Woollard & Henry Ltd., Scotland.	Dandy Rolls.
1/s Usha Die Castings Pvt. Ltd., New Delhi.	M/s Josiah Parkes & Sons Ltd, Stafford.	Hardware Locks and Latches (Knob Sets & Mortise Locks)
1/s C.T.R. Manufacturing Industries Ltd, Poona.	M/s Carbide Impregnation Ltd.	Broaches.
1/s Atlas Automotive Components Ltd, Bombay.	M/s Automotive Engg. Ltd.	Pistons, Piston Rings and Piston Pins.
	India-West Germany	
1/s Nitin Castings Pvt, Ltd, Thana.	M/s Schmidt Clemens Edelstahlwerk, Koln.	Centrifugally Cast Alloy Steel Tubes.
1/s Vyas & Vyas Pvt Ltd, Bombay.	M/s Gebr. Bellmer, KG.	Press Pahn, Letheroid, Fibre Sheet and Cable Paper.
1/s Avalon Products Pvt. Ltd, Bangalore.	M/s Granz Kirsten.	Automobile Switches.
1/s Larsen & Toubro Ltd, Bombay.	M/s J.M. Voith GmbH.	Head Boxes, Pulp Mill Equipment including Digesters, Wash and Bleach Filters, Thickers, etc.
1/s Vijay Machinery Stores, Bombay (F)	M/s Total Foerstner & Co.	Fire Fighting Equipment.
1/s Kehr Surgical & Allied Products (P) Ltd, Kanpur.	M/s Ottokar Dahmer, 3501, Weimar Kassel, Stahlbergstrasse.	Surgical Needles (Suture Needles).
1/s Modi Industries Ltd, Modinagar.	M/s Continental Gummiwerke.	Preparation and Supply of Drawings for Fabrication of Automobile Tyre Manufacturing Machinery.
1/s German Remedies Pvt. Ltd, Bombay	M/s Johann, A. Wolfing.	Xantinol Nicotinate.
1/s Sayaji Iron & Engg. Co. Pvt. Ltd, Baroda.	M/s Klaus-Gard Hoes, Oldenburg.	Asphalt Paver, Finishers.

(*Contd.*)

) Cases involving financial participation.

Foreign Collaborations—(*Contd.*)

1	2	3
M/s Sayaji Iron & Engg. Co. Pvt. Ltd, Baroda.	Mr Ernest Ewald Kuhnery, Kreuzstrasse.	Compat Concrete Producing Plants.
M/s Lakshmi Niwas Agarwal, Varanasi.	M/s Hans Skodock, Hannover, Herrenhausen.	Bellows.
M/s Sayaji Iron & Engg. Co. Pvt. Ltd, Baroda.	M/s Aulmann & Eckshutto Maschinenfabrik.	Crushers.
	India—France	
M/s Bharat Swiss Footwear Co. Pvt. Ltd, Bombay.	M/s Andre International SA; M/s Andre Engg. SA; and M/s Ifinteca AG of Switzerland.	Bombay Footwear with PVC Soles.
M/s Indian Petrochemicals Corpn. Ltd, Jawahar Nagar.	M/s Institut Francais Du Petrole Des Carburants Et Lubrieiants.	Hydrogeneration of Pyrolysis Gasoline Plant.
M/s Kerala Electrical Allied Engneering Co Ltd, Cochin.	M/s L. Eclairage Des Vehicules Sur Rail.	Brushless Alternators for Train Lighting.
	India—Denmark	
M/s Revack Industries (P) Ltd, Bangalore.	M/s D. Smithske, Aalborg.	Diaphragm Pumps.
	India—Luxembourg	
M/s Hanuman Engg. Works, Lucknow.	M/s Toristeg Steel Corporation.	Ribbed Tor-Steel.
M/s Industrial Development Corpn. of Orissa Ltd, Bhubaneswar.	M/s Toristeg Steel Corporation.	Ribbed Tor-Steel.
M/s Beco Engg. Co Ltd, Ballabgarh.	M/s Toristeg Steel Corporation.	Ribbed Tor-Steel.
M/s Indore Steel & Iron Mills, Indore.	M/s Toristeg Steel Corporation.	Ribbed Tor-Steel.
M/s West India Steel Co Ltd, Feroke.	M/s Toristeg Steel Corporation.	Ribbed Tor-Steel.
M/s Mysore Iron & Steel Ltd, Bhadravati.	M/s Toristeg Steel Corporation.	Ribbed Tor Steel.
	India—Netherland	
M/s United Ink & Varnish Co. (P) Ltd, Bombay.	M/s Wage Makers, Brada, Holland.	Spraying Powder.
M/s Associated Engg. Works Ltd, Delhi. (F)	M/s Janson Fabrieken, NV, Rotterdam.	Hydraulic Jacks and Shock Absorbers.
	India—Sweden	
M/s S.F. India Ltd, Jalkura.	M/s AB Svenska Flaktfabriken.	Air Treatment Equipment etc.
	India—Switzerland	
M/s D. Kumar M.M. Mahajan Brewery, New Delhi.	M/s International Consulting & Engg. for Breweries, Vaduz.	Beer.
	India—Belgium	
M/s Fertilizer & Chemicals Travancore Ltd, Udyogmandal.	M/s Societo de prayon SA, Engineering.	Plants Based on Zinc Production Process for Manufacture of Sodium Hydrosulphite.
	India—Italy	
M/s Neyveli Lignite Corpn. Ltd, Neyveli	M/s Giammarco Vetrocoke.	Purchase of know-how of the Process and Deputation of Foreign Specialists for Erection and Commissioning of Plant.
M/s Richardson & Cruddas Ltd, Bombay.	M/s Comberio Ercole, SPA.	Rubber Mixing Mills, etc.
	India—Czechoslovakia	
M/s Associated Engineering Works, Dehi.	M/s Motokov Foreign Trade Corpn, Prague.	Dashboard Instruments.
M/s Machine Tool Corpn. of India Ltd, Ajmer.	M/s Skodaexport, Praha.	Centreless Grinding Machines.

(*Contd.*)

(F) Cases involving financial participation.

Foreign collaborations (*Contd.*)

1	2	3
	India—Hungary	
M/s Steel Plant Pvt. Ltd, Bombay.	M/s KGYV, Metallurgical Engg. Corpn., Budapest.	Electric Arc Melting Furnace.
	India—Yugoslavia	
M/s Yuogo Intraco Pvt. Ltd, New Delhi.	M/s Boris Kidric Vinkovci.	Finished Leather.
	India—U.S.S.R.	
M/s Insov Auto Ltd, Calcutta.	M/s Prommash Export, Moscow.	Light Commercial Vehicles (Trucks).
M/s Heavy Engineering Corpn. Ltd, Ranchi.	M/s Prommash Export, Moscow.	Widening & Strengthening the Design Organisation of Heavy Machine Building Plant of the HEC.
	India—Japan	
M/s Suman Sugiyama Plastics & Electronics (P) Ltd, Bangalore. (F)	M/s T. Sugiyama & Matsura.	Plastic Injection Moulding Parts and Plastic Mechanical Toys.
Mr Suresh U. Shah, Bombay.	M/s Mode Machinery Co. Ltd, and M/s Swase Kikai Kogyo Co. Ltd.	Printing Machinery.
Mr Ashok D. Vora, c/o. M/s Metropolitan Footwear India Pvt. Ltd, Bombay. (F)	M/s Ube-Nitto Kasei Co. Ltd, Tokyo.	Polypropelene Box Strappings and Tapes.
M/s Usha Electronics (I) Pvt. Ltd, New Delhi.	M/s Japan Engineering Co.	Plastic Film Capacitors.
M/s Bharat Pumps & Compressors Ltd, New Delhi.	M/s Showa Koatsu Kogyo Co. Ltd.	H.P. and Welded Gas Cylinders & Axle Tubes
M/s Indusrial Abrasive Co-operative Society Ltd, Bombay.	M/s New Registon Co. Ltd, Osaka.	Resinoid Bonded Grinding Wheel.

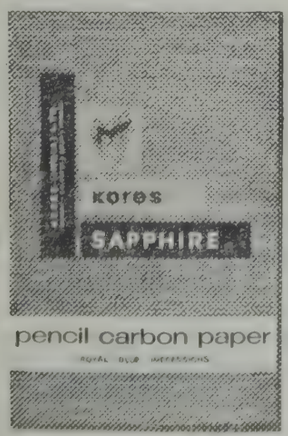
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Wholesale prices

THE whoesale prices as measured by the official index (with the year ended March, 1962=100) advanced by 2.3 per cent to 202.5 in July, 1972 as against 197.9 in June, 1972. The index for July, 1972 was higher by 7.7 per cent when compared to 188.0 for July, 1971. The rise of 2.3 per cent in the all commodities index during July, 1972 was shared by an advance in all the groups except 'chemicals'. The rise was of the order of food articles (+3.6 per cent to 236.1). 'liquor & tobacco' (+3.2 per cent to 223.1), 'fuel power light & lubricants' (+1.0 per cent to 178.8), 'industrial raw materials' (+3.7 per cent to 188.9), 'machinery & transport equipment' (+0.4 per cent to 166.7) and 'manufactures' (+0.1 per cent to 173.8), however, the index for 'chemicals', declined by 0.9 per cent to 198.7 during the month under review.

Food articles

The sub-group indices for 'cereals' and 'pulses' advanced by 3.8 and 4.0 per cent to 225.2 and 323.3 respectively due to an over-all rise in the prices of cereals and pulses. As a result of this, the index for 'foodgrains' moved up by 3.8 per cent to 243.0. At this level, the index for 'foodgrains' was higher by 15.3 per cent when compared to that of a year ago. The sub-group index for 'fruits & vegetables' moved up by 13.8 per cent to 233.6 due to a rise in the prices of almost all the items under this sub-group except cashewnuts which came down. The index for 'milk & milk products' declined by 4.5 per cent to 222.5 due to a fall in the prices of milk although the prices of ghee moved up. The sub-group index for 'edible oils' registered a rise of 6.2 per cent to 214.3 due to higher prices of all the edible oils. The index for 'fish, eggs, meat' moved up by 1.8 per cent to 283.1 due to a substantial rise in the prices of eggs. The prices of fish, however, receded. Due to higher prices of gur & khandsari, the sub-group indexfir 'sugar & allied products' went up by 5.8 per cent to 217.7. Higher prices of spices condiments, tea and coffee pushed up the index for other food articles by 4.4 per cent to 169.5 The prices of betelnuts and salt, however, declined.

Liquor & tobacco

The index for the 'liquor & tobacco' rose by 3.2 per cent to 223.1 due to an increase in the prices of tobacco raw and tobacco manufactures.

Fuel, power light & lubricants

The index for this group went up by 1.0 per cent to 178.8 due to an increase in the prices of coke and caster oil.

Industrial raw materials

Higher prices of cotton raw, jute raw, wool raw and silk raw pushed up the index for 'fibres' sub-group by 1.2 per cent to 157.8. The sub-groups index for 'oilseeds' moved up by 6.9 per cent to 220.7 due to a rise in the prices of all the items under this sub-group. The sub-group index for 'minerals' rose by 0.2 per cent to 141.8 due to an increase in the prices of china clay under other ores. The rise in the prices of lac was neutralised by a fall in the prices of hides raw and the index for 'other industrial raw materials' sub-group remained unchanged at its last months' level of 180.8.

Chemicals

Lower prices of nitric acid, hydrochloric acid and sodium hydrosulphite brought down the index for 'chemicals' group by 0.9 per cent to 198.7 The prices of caustic soda, however, went up.

Machinery & transport equipment

The sub-group index for 'electrical machinery' rose by

Index Number of Wholesale Prices by Groups and Sub-Groups of Commodities

(Base : 1961-62=100)

Group & sub-group	July 1972	June 1972	July 1971	Percentage change: July 1972 / June 1972	Percentage change: July 1972 / July 1971
Food Articles	236.1	227.8	209.8	+3.6	+12.5
Food grains	243.0	234.1	210.7	+3.8	+15.3
Cereals	225.2	217.0	200 6	+3.8	+12.3
Pulses	323.3	311.0	256.0	+ 4.0	+26.3
Fruits & vegetables	233.6	205.3	232 9	+13.8	+0.3
Milk & milk products	225.5	236.1	218.3	—4.5	+3.3
Edible oils	214.3	201.8	204.2	+6.2	+4.9
Fish, eggs & meat	283.1	278.1	241.4	+1·8	+17.3
Sugar & allied products	277.7	262.6	211.8	+5 8	+13.1
Others	169.5	162.3	170.5	+4.4	—0.6
Liquor & tobacco	223.1	216.1	190.5	+3.2	+17.1
Fuel, power, light & lubricants	178.8	177.1	172.8	+1.0	+3.5
Industrial raw materials	188.9	182.1	195.8	+3.7	—3.5
Fibres	157 8	156.0	192 0	+1.2	—17.7
Oilseeds	220 7	206.4	213 7	+6.9	+3.3
Minerals	141.8	141.5	138.8	+0.2	+2.2
Others	180 0	180 0	177.7	—	+1.3
Chemicals	198.7	200.5	195 9	—0.9	+1.4
Machinery & transport equipments	166 7	166 0	158 1	+0.4	+5.4
Electrical machinery	169.6	169.3	157.1	+0.2	+8.0
Non-electrical machinery	176 0	174.5	166 2	+0.9	+5.9
Transport equipment	147 5	147 7	144 3	—0.1	+2.2
Manufactures	173.6	173.7	165.1	+0.1	+5.3
Intermediate Products	204.3	203 8	194 0	+0 2	+5.0
Finished products	166 4	166 4	157.8	Nil	+5.5
Textiles	169.4	170.2	164.6	—0.5	+2.9
Cotton mfrs	164.5	164.4	159.7	—0.1	+3.0
Jute mfrs	192.7	195 5	190 9	—1.9	+0.9
Silk & rayon mfrs	130.8	131.8	123 2	—0.8	+6.2
Woollen mfrs	211.6	211.6	191.0	—	+10.8
Coir mats & mattings	187.8	187.8	175.8	—	+6.8
Metal products	195.3	194.2	173.6	+0.6	+12.5
Non-metallic products	157.7	157.4	149 8	+0.2	+5.3
Chemical products	154.4	154.5	149.3	—0.1	+3.4
Leather products	99.1	99.1	97.5	—	+1.6
Rubber products	159.3	159.3	156.8	—	+1 6
paper products	137.3	137.3	124.7	—	+10.1
Oil cakes	199.5	193.3	172.7	+3.2	+15.5
Misc. products	124.2	124.2	123.4	—	+0.6
All Commodities	202.5	197.9	188 0	+2.3	+7.7

Source : Office of the Economic Adviser, Ministry of Industrial Development.

.2 per cent to 169.6. The index for 'non-electrical machinery' sub group went up by .9 per cent to 176.0 due to an increase in the prices of machinery other than electric and extile stores. The sub-group ndex for 'transport equipment' tood lower at 147.5 as against 47.7 for the previous month o a fall in the prices of ycles.

ntermediate products

The index for 'intermediate products' moved up by 0.2 per cent to 204.3 due to a rise in the prices of rayon yarn and semis, tin and linseed oil although the prices of cotton yarn, leather, zinc, brass sheets, copper sheets and lead declined.

Finished products

Lower prices of 'jute manufactures' (—1.9 per cent to 192.7) and 'silk & rayon manufactures' (—0.8 per cent to 130.8) brought down the subgroups index for 'textiles' by 0.5 per cent to 169.4 The index for 'cotton manufactures' worked out at 164.5 as against 164.4 for the earlier month. The indices for 'woollen manufactures' and coir mats and matting remained stationary at their last month's levels of 211.6 and 187.8 respectively. The index for 'metals' subgroup recorded a rise of 0.6 per cent to 195.3 due to an increase in the prices of iron and steel manufactures and cutlery and hardware. The subgroup index for 'non-metallic products' rose by 0.2 per cent to 157.7 due to a slight rise in the prices of cement. The fall in the prices of paints and varnishes was almost neutralised by a rise in the prices of fertilisers, toilet requisite, essential oils and insecticides and the index for the 'chemicals products' sub group stood at 154.4 as against 154.5 for the previous month.

The indices for 'leather products', 'rubber products', 'paper products' and 'misc. products' remained unchanged. The index for 'oil cakes' went up by 3.2 per cent to 199.5. On the whole the index for 'finished products' stood stationary at its last months level of 166.4

Index Numbers of Industrial Production

(Base : 160=100)

	1971	1972		
		Jan.	Feb.	March
General Index				
Seasonally adjusted	186.1	193.9	198.3	194.8
Crude	186.1	199.6	194.6	203.3
Mining and Quarrying	153.4	170.4	164.9	170.9
Manufacturing	178.9	190.6	186.6	194.4
Food Manufacturing Industries	157.6	176.2	167.8	142.9
Sugar Factories and Refineries	141.7	352.6	319.5	224.2
Vanaspati	174.8	189.7	179.7	196.4
Tea	133.2	18.7	23.2	23.2
Coffee Curing	197.1	168.5	239.6	262.3
Beverages and Tobacco Industries	182.5	181.3	177.4	186.4
Cigarette Manufacturing	177.9	180.8	175.8	185.2
Manufacture of Textiles	106.0	114.5	104.5	113.8
Spg., Wvg. & Finishing of Cotton Textiles	105.2	113.9	102.2	111.2†
Spg. Wvg. & Finishing of Woollen Textiles	181.6	N.A.	N.A.	N.A.
Spg. Wvg. & Finishing of Jute Mfrs.	94.7	104.7	97.5	108.4
Manufacture of Paper & Paper Products	225.7	247.9	240.8	244.2
Manufacture of Paper	229.5	256.1	233.7	237.2
Paper Board	220.4	216.5	300.2	300.4†
Leather and Fur Products except Foot Wear & other Wearing Apparel	55.3	45.1	54.2	64.1
Rubber Products	241.8	259.7	267.8	238.7
Tyres and Tubes	295.4	322.9	324.1	281.3
Chemicals & Chemical Products	252.7	294.7	287.8	291.4
Basic Industrial Chemicals including Fertilisers	371.2	373.1	371.7	373.3
Heavy Organic Chemicals	301.2	334.9	308.8	350.3
Heavy Inorganic Chemicals	354.7	379.8	363.3	385.0
Synthetic Resins & Plastics	217.5	224.7	207.3	216.9
Synthetic Fibres	232.3	259.7	251.1	272.9
Dyestuffs & Dyes	187.1	157.4	159.2	175.0
Fertilisers	841.3	865.7	897.7	811.8
Paints, Varnishes & Lacquers	119.5	116.7	113.8	122.6
Fine Pharmaceutical Chemicals	157.6	238.0	237.7	238.0
Fine Chemicals	187.4	159.3	57.4	178.0
Petroleum Refinery Products	316.9	341.2	311.5	327.2
Non-Metallic Mineral Products*	207.6	211.9	210.0	218.6
Cement	190.3	206.0	195.8	207.2
Basic Metal Industries	208.6	234.1	223.2	252.9
Iron & Steel Basic Industries	186.3	213.9	203.7	232.3
Non-Ferrous Basic Metal Industries	329.1	343.3	328.7	363.9
Aluminium Manufacturing	557.9	595.7	564.5	617.0
Manufacture of Metal Products (except Machinery and Transport Equipment)	234.4	219.8	216.6	252.8
Machinery except Electrical Machinery	373.2	370.0	369.0	413.9
Industrial Machinery	86.3	78.8	78.7	83.1
Electrical Machinery	404.8	411.9	441.8	466.9
Batteries	243.6	283.6	252.5	273.9
Transport Equipment	122.1	122.8	143.1	150.3
Motor Vehicles	168.3	175.4	173.8	207.6
Motor Cycles & Bicycles	259.7	259.6	270.6	272.5
Motor Cycles & Scooters	634.2	713.0	685.0	632.2
Bicycles & Tricycles	180.1	163.1	182.3	196.0
Electricity Generated	358.5	394.8	375.4	403.5

† Estimated.

* Except products of petroleum and Coal.

Source : C.S.O.

Reserve Bank of India

(Rs crores)

	Oct. 6 1972	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	46.80	26.78	32.91	27.64
Notes in circulation	4,570.14	4,503.37	4,669 10	4,398 00
Total notes issued	4,616.95	4,530.15	4,702.01	4,425 64
Gold coin and bullion	182 53	182.53	182.53	182.53
Foreign securities	211.65	211.65	211.65	218.42
Rupee Coin	33.46	36.67	33.52	41.65
Government of India rupee securities	4,189.30	4,099.29	4,274.31	3,983.04
Banking Department				
Deposits of central government	50.78	125.05	52.67	118.00
Deposits of state governments	21.88	16.75	48.76	5.03
Deposits of banks	309.70	276.65	301 45	232.60
Other deposits	81.63	84.25	129.66	68.65
Other liabilities	929.50	951.54	931.72	761.71
Total liabilities or assets	1,393.48	1,454.26	1,464.27	1,186.01
Notes and coins	46.87	26.90	32.97	27.72
Balances held abroad	141.25	140.60	142.90	185.02
Loans and advances to:				
State governments	61.11	55.93	77.85	310.16
Scheduled Commercial banks	6.90	3.67	4.95	79.39
State Co-operative Banks	252.38	254.01	238.99	286.18
Other loans and advances	104.30	101.53	102.52	64.09
Bills purchased and discounted	418.37	592.63	627.74	45.40
Investments	326.31	242.76	199.82	152 08
Other assets	35.98	36.24	36.54	35.95

Scheduled Commercial Banks

(Rs crores)

	Oct. 6 1972	A week ago	A month ago	A year ago
1. Demand deposits*	3,341.61	3,356.29	3,352.64	2,796.72
2. Time deposits*	4,458.61	4,444.81	4,404.89	3,727.67
3. Aggregate deposits*	7,800.22	7,801.10	7,757.53	6,524.45
4. Cash	194.63	191.01	197.82	182.94
5. Balances with Reserve Bank	265.15	242.53	244.97	209.51
6. Cash and Balances with Reserve Bank	459.78	433.54	422.79	392.45
7. Borrowings from Reserve Bank	6.90	3.67	4.95	79.39
8. Investments in Government securities	2,066.20	2,068.69	2,115.51	1,542.64
9. Advances	4,308.98	4,248.26	4,215.27	3,909.08
10. **Bills purchased and discounted**				
Inland bills purchased and discounted	725.99	717.55	814.62	720.91
Foreign bills purchased and discounted	198.62	201.69	206.03	215.82
11. Total bank credit	5,233.59	5,167.50	5,235.92	4,845.81
12. Percentage of				
(6) to (3)	5.89	5.56	5.71	6.02
(8) to (3)	26.49	26.52	27.27	23.64
(11) to (3)	67.10	66.24	67.49	74.27

*Excluding inter bank borrowings

Source : Reserve Bank of India.

Index Numbers of Security Prices

(Base : 1961-62=100)

Week ended	1971	1972				
	Oct. 9	Sept. 9	Sept. 16	Sept. 23	Sept. 30	Oct. 7
Government and Semi-Government Securities–						
All-India—Total	97.6	97.7	97.7	97.7	97.7	97.7
Government of India	97.0	97.0	97.0	97.0	97.0	97.0
State Governments	100.4	100.5	100.5	100.5	100.5	100.6
Semi-Government Institutions	100.7	102.9	102.9	102.9	103.0	103.1
Debentures– All-India	92.8	92.3	92.3	92.2	92.2	92.2
Preference Shares– All India	82.9	80.9	80.5	80.4	80.3	80.3
Variable Dividend Industrial Securities– All-India – Total	92.7	91.1	90.7	90.6	90.7	91.4
Agriculture and Allied Activities	86.2	83.4	83.4	83.4	83.3	83.8
Mining and Quarrying	51.1	34.8	34.8	34.2	33.1	32.7
Processing and Manufacturing : **Total**	89.7	88.4	87.8	87.6	87.5	88.2
Foodstuffs, textiles etc.	75.3	77.4	76.8	76.8	77.0	77.6
Metals, chemicals etc.	93.8	90.3	89.1	88.9	88.3	89.2
Others	120.7	116.4	116.6	116.3	116.6	117.0
Other Industries	113.5	113.4	114.1	114.4	115.9	117.1
Financial	121.5	113.8	113.9	114.1	114.2	115.6
Variable Dividend Industrial Securities (Regional)						
Bombay	100 8	98.8	98.6	98.4	99.0	100.3
Calcutta	92 0	88.4	87.6	87.1	86.4	87.2
Madras	84.7	81.9	82.1	82.5	82.6	83.3
Ahmedabad	69.3	70 8	69 8	69.9	70.1	70.2
Delhi	105.4	98.9	97.7	97 9	97 6	95.3

Source : Reserve Bank of India.

Money Supply with the Public

(Rs lakhs)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Net demand deposits of Bank*	Other deposits with Reserve bank	
1951-52	1,848,18	1,285,51	562,67	544,85	7,82	—160,03
1955-56	2,216,95	1,571,01	645,94	336,90	9,04	+262,16
1960-61	2,868,61	2,098,05	770,56	757,10	13,46	+199,11
1965-66	4,529,39	3,034,28	1,495,10	1,478,38	16,72	+449,11
1966-67	4,949,96	3,196,80	1,753,16	1,771,75	41,41	+420,57
1967-68*	5,350,07	3,376,08	1,973,99	1,917,66	56,32	+400,11
1968-69*	5,799,25	3,681,97	2,097,28	2,016,41	83,88	+429,18
1969-70*	6,386,54	4,010,34	2,376,20	2,318,30	57,90	+607,29
1970-71*	7,136,32	4,379,67	2,756,65	2,712,82	43,83	+749,78
1971-72	8,042,00	4,806,00	2,236,00	3,156,00	80,00	+905,68
January 1971	6,946,31	4,259,01	2,687,29	2,628,46	58,83	+151,88
December 1971	7,704,30	4,566,83	3,137,46	3,071,45	66,02	+216,32
January 1972*	7,817,41	4,697,11	3,120,30	3,056,73	63,57	+ 13,11
February 1972	7,896,68	4,781,24	3,115,33	3,058,27	57,06	+79,72
March 1972	8,065,53	4,807,15	3,258,49	3,178,93	79,55	+168,95
April 1972	8,234,11	4,913,44	3,320,67	3,244,27	76,40	+168,48
May 1972	8,388,00	5,015,00	3,373,00	3,301,00	72,00	+154,00
June 1972	8,478,00	5,014,00	3,464,00	3,398,00	66,00	+90,00
July 1972	8,357,00	4,857,00	3,500,00	3,442,00	58,00	—121,0
August 1972	8,322,00	4,814,00	3,508,00	3,431,00	77,00	— 35,00
September 1972	8,189,00	4,668,00	3,521,00	3,469,00	52,00	—133,00

*Provisional

Source : Reserve Bank of India.

Factors Affecting Money Supply with the Public

(Rs crores)

Week ended	1971	1972				
	Oct. 1	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29
Money supply with the Public	7,446	8,302	8,379	8,324	8,223	8,189
Currency with the Public	4,526	4,759	4,830	4,803	4,710	4,668
Other deposits with the Reserve Bank	57	85	97	78	65	52
Bank money	2,863	3,458	3,452	3,443	3,448	3,469
Factors affecting Money Supply (1+2+3+4—5—6)						
1. Net bank credit to government sector	5,775	7,037	7,201	6,997	6,883	6,928
2. Net bank credit to commercial sector	2,041	1,784	1,717	1,728	1,717	1,683
Of which banks* net credit to commercial sector (a—b)	1,860	1,576	1,509	1,520	1,510	1,476
Claims on Commercial Sector	5,758	6,206	6,143	6,171	6,164	6,149
Non-monetary liabilities of banks	3,898	4,630	4,634	4,651	4,654	4,673
3. Net foreign exchange assets of banking sector	570	523	524	530	535	522
4. Government's net currency liabilities to the public	391	403	405	404	402	402
5. Net non monetary liabilities of the Reserve Bank	729	985	964	954	974	984
6. Residual	602	460	504	381	340	362

*Excluding Reserve Bank.

Source : Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

(Base : 1960 = 100)

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1971*		1972*				
							May	Dec.	Jan.	Feb.	Mar.	Apr.	May
All India	—	—	174**	177	186	192	184	195	194	193	194	195	196
Ahmedabad	130	168	165	169	176	181	173	184	185	185	184	185	185
Alwaye	145	183	198	197	198	202	190	210	205	204	205	205	209
Asansol	140	168	176	178	189	194	186	195	195	194	198	198	200
Bangalore	144	172	180	183	186	194	190	197	197	196	197	198	199
Bhavnagar	132	173	176	178	186	194	187	199	199	197	200	199	201
Bombay	130	162	167	175	182	190	186	191	190	191	193	195	196
Calcutta	131	163	170	170	182	187	176	193	187	186	185	187	190
Coimbatore	132	151	147	154	164	177	169	184	185	179	180	180	183
Delhi	136	172	178	185	199	211	202	211	213	212	213	213	212
Dighboi	138	198	185	180	189	188	184	190	190	189	190	189	191
Gwalior	139	191	179	184	191	197	188	198	199	197	201	201	201
Howrah	137	178	181	176	186	191	182	196	191	190	194	192	197
Hyderabad	140	167	173	185	189	195	186	197	197	196	196	198	201
Jamshedpur	136	183	171	170	183	187	179	186	187	184	188	190	191
Madras	134	151	150	160	170	182	171	188	194	186	186	189	193
Madurai	128	146	148	160	177	192	181	196	200	197	193	193	197
Menghyr	151	215	185	188	205	204	192	202	201	206	208	210	207
Mundakayam	138	173	186	191	197	199	188	206	202	198	197	201	202
Nagpur	138	164	166	176	187	192	184	197	196	194	194	195	197
Saharanpur	141	188	176	181	186	196	189	200	203	201	204	204	203
Sholapur	128	165	167	176	185	198	185	207	205	197	194	194	192

*Provisional. **Average for eight months—August 1968 to March 1969. **Source** : Labour Bureau, Govt. of India.

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 1960=100)

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1971*		1972*				
								May	Dec.	Jan.	Feb.	Mar.	Apr.	May
All-India	132	146	159	161	167	174	180	175	182	182	183	184	185	185
Bombay	132	142	153	156	162	168	172	170	171	171	173	174	177	178
Delhi-New Delhi	131	142	154	162	168	174	180	175	180	181	184	188	188	188
Calcutta	126	139	152	156	162	170	174	168	175	172	172	174	174	176
Madras	133	147	154	154	161	175	188	181	193	194	195	195	196	195
Hyderabad-Secunderabad	133	147	155	159	167	174	180	173	184	184	183	183	184	185
Bangalore	133	145	156	160	164	172	180	176	182	183	184	185	187	188
Lucknow	132	146	159	156	161	166	174	166	186	176	179	181	177	178
Ahmedabad	131	146	160	162	168	171	173	167	175	176	176	178	179	178
Jaipur	133	150	162	168	176	183	188	180	188	191	193	197	196	192
Patna	139	160	179	174	180	191	190	194	190	188	188	191	193	193
Srinagar	134	143	160	167	174	184	191	188	193	194	196	197	197	197
Trivandrum	131	146	165	168	172	178	184	178	187	188	189	189	190	190
Cuttack-Bhubaneswar	142	154	164	167	169	176	184	195	188	186	187	187	186	188
Bhopal	133	144	166	166	172	180	188	181	191	192	193	194	192	191
Chandigarh	129	143	155	164	171	178	183	178	185	186	188	189	191	191
Shillong	123	134	155	163	164	166	175	171	179	173	172	174	179	180

*Provisional. **Source** : C.S.O.

Milk co-operatives as an instrument for social change



In Kaira, people of all castes line up in the same queue day after day.

Social changes are not easy to bring about by legislation. Especially in tradition-ridden, custom-bound villages. But equal partnership in a milk co-operative seems to work miracles. When people of all castes learn to stand together in a queue at a milk collection centre—day after day after day—another blow is struck at social inequality and intolerance. And a life style slowly begins to change—for the better.

Amul has shown the way.

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Oil without options?

THE RELATIONS between the government of India and the three international oil companies which are operating their refineries here have come to resemble, in their essence, the circumstances of a married couple who, having quarrelled, are living separately; only, the husband is refusing divorce because of the alimony angle. It is possible that a revision of the refinery agreements in favour of the government might have satisfied it some years ago. Today this is no longer the case. New Delhi's assumption seems to be that it has achieved sufficient petroleum know-how, besides acquring reassuring access to crude supplies, whether domestic or from sources abroad and that it is therefore in its interest to end the agreements as early as possible rather than merely negotiate their mending. "ESSO at least seems to have got the message and its reaction has been that it would rather limp along" until 1979, when its refinery agreement will have run out, unless, of course, the government of India is willing to talk on the terms on which ESSO may be able to develop its refining business in this country until 1979 and beyond.

The oil companies evidently desire to have some stake, however, controlled in the expansion which is both possible and necessary in their refinery installations or operations and two of them ESSO and Burmah Shell—have signified their agreement to changes relating to their right, under the existing agreements, to import crude from their own sources as well as to the government sharing in the equity of their companies in any future settlement. The attitude of the ministry of Petroleum and Chemicals — to the extent it has formulated a clear policy at all — seems to be that, having successfully squeezed the operations and profits of the oil companies to the extent that it has already done, it has only to go on increasing the pressure unitl the other party (or parties) may feel compelled to come to the negotiating table in a mood to make the best of a bad bargain and settle with the government of India the terms on which they would make over their refinry installations and other assets. The ministry probably believes that this could happen much before 1979; it is evidently prepared to play a waiting game in any case and, meanwhile, forego for a period the benefit to the country's oil economy of expansion in the refinery capacities now owned by the oil companies.

India's current oil politics will have to be seen, naturally, against the background of the larger developments in global oil poliltics and, more particularly, in the context of the retreat of the international oil companies from the dominating position they once held in the exploitation of the oil wealth of west Asia or north Africa. A development of grat significance here is that the protracted neogotiations between the Organisation of Petroleum-Exporting Countries (OPEC) and the international oil companies on the former sharing directly with the latter exploration and production of oil in west Asia resulted in an agreement last month. Although the details of the pact have not been revealed as yet and may not be available till it is ratified by the countries concerned — Saudi Arabia, Abu Dhabi, Iraq, Kuwait and Qatar — press reports suggest that the international companies will initially transfer 25 per cent of their investments in oil exploration and production in west Asia to the national companies in these countries. In the view of Sheikh Ahmed Zaki Yamani, Petroleum Minister of Saudi Arabia, who conducted the negotiations on behalf of OPEC, this should happen by January 1, 1973. Ultimately this percetnage is to be raised to 51. The Petroleum Intelligence Weekly (PIW) says that this stage will be reached in 1983.

The agreement substantially realises the long-cherished desire of the petroleum-exporting countries to achieve a high degree of autonomy vis-a-vis the international oil companies. Even so it is doubtful if it will be ratified by all the oil producers in west Asia. Of the five producers on whose behalf the "participation talks" were carried on by Sheikh Yamani, the reaction of one— Iraq— is to be is particularly watched. This country recently nationalised the Iraq Petroleum Company (IPC) in which several international oil giants had interest. The developments following the nationalisation of IPC are too well known to be repeated here. The main point of discontent for Iraq is expected to be the terms of payments for the acquisition of the stipulated percentages of the equities of international oil companies operating in west Asia. A complicated formula is said to have been agreed to by the Sheikh for the determination of this payment. Iraq presumably will be interested in keeping the payment as low as possible for it will set an example for the compensation to be paid by it to the IPC. According to PIW, it favours payment on the basis of the "written down" value of the investments of the companies. As these investments were made long ago and there has not been

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much accretion to them in recent years, their "written down" value should not be much. If the PIW report is to be relied upon, Sheikh Yamani has agreed to payment according to the "updated" value of investments. This value takes into account the global inflationary trends. Obviously the payments determined on this basis will be quite sizable. According to PIW estimates, they will be approximately 2½ times of what would become payable on the basis of the "written down" value.

Whatever be the attitude of Iraq, the agreement concluded by Sheikh Yamani is of vital importance to the Oil Importing Nations. It remains to be seen whether it will ensure adequate expansion of the production of oil to meet the growing energy requirements of the world. Sheikh Yamani expects this to happen only if the major importing countries accommodate the exporting countries on another count also. He wants participation of the oil-exporting countries in the oil industries of the importing countries right down to retail outlets. In fact, he has already sounded the United States on this. His argument is that unless the exporting countries are provided investment opportuntties abroad, according to their own thinking, they would have surplus funds on their hands even after utililizing them partly for development of the domestic economies (which, in the present-day circumstances, perforce has to be limited). If this participation is denied to the exporting countries, their surplus funds will have to be kept in bank deposits. This will hardly be a satisfactory position. The following extract from Sheikh Yamani's address to the Middle East Institute's energy conference, which was held just before the conclusion of the participation talks, clearly reflects his thinking:

> "Inability to spend our surplus incomes inside our own countries will lead us to consider the value of keeping our reserves in the banks and realizing interest on them, as compared with the appreciation in the value of our crude oil if it were to be left in the ground. We should find that leaving our crude in the ground is by far-more profitable than depositing our money in the banks, particularly if we take into account the periodic devaluation of many of the currencies. This reassessment would lead us to adopt a production programme that ensures that we get revenues which are adequate for our needs. Such a programme, however, would harm the interests of the consumers and of the oil companies. It would also aggravate to energy shortage problem and force prices to very high levels. On the other hand, the correct application of the principle of participation would allow our national oil companies to invest surplus revenues in marketing our share of oil, thereby providing for the absorption of the surplus".

Sheikh Yamani's negotiations with the Nixon Administration on the investment of surplus funds of the Saudi Arabian national oil company in the oil industry of the USA, however, have not yet made much headway. The US government appears to prefer Saudi Arabian surplus fund to be invested in areas other than petroleum. Whether, ultimately, this will be acceptable to Saudi Arabia and the other OPEC member-nations, only time will show. But one conclusion is inescapable. It is that the recent uptrend in crude oil prices is likely to persist for years to come. If the consuming countries do not agree to the plea of Sheikh Yamani for the investment of west Asian surplus funds in their oil industries, the west Asian oil producers may perhaps be tempted to curtail output, thereby accentuating energy shortages.

Faced with this prospect, a director of the US State Department's Office of Fuel and Energy, Mr James E. Akins, is reported to have mooted the idea of the leading oil-importing nations establishing an "international buyers, cartel". The Arab-Israeli conflict, according to Mr Akins, has also to be borne in mind in this connection. He is reported to have testified before a congressional foreign affairs committee on foreign policy implications of the US "energy crisis" that "with the oil exporting countries' revenues rising sharply, they have the resources to do without exports for long periods if they choose to embargo or reduce supplies for political or economic reasons.. Unless they co-operate, industrial oil importing countries could touch off a scramble for energy supplies that might lead to oil prices of $5 a barrel by 1980". Mr Akins has suggested the formation of a supranational body with powers to fix oil prices and ration supplies.

Even though Iran has preferred to follow, for the time being, a policy slightly different from the other oil exporting countries of West Asia in as much as it is having partnership arrangements with the international oil companies under which all investments in exploration and production of oil in that country will be made by the oil companies (as against sharing of this investment by the OPEC members elsewhere in west Asia), leaving the Iranian government free to use its own resources and revenues from oil for the development of the economy in other ways, the ultimate aim is the same; deriving of maximum benefit from the production and sale of oil. In the future, then, the oil exporting nations of west Asia — as well as of north Africa which have a close liaison with OPEC — can be expected to streng-

Eastern Economist 25 Years Ago

NOVEMBER 7, 1947

The joint memorandum issued by the Indian Mining Federation and the Indian Coal Owner's Association recently has served to rivet public attention on the acute shortage of coal at the centres of consumption. During the war the bottleneck was production. Railways played their part magnificntly despite the strain of unprecedented increase in freight traffic. But the emphasis in the current shortage has shifted from production to distribution. According to the memorandum an abnormal stock of 2.5 million tons of coal has accumulated in the coal fields as against the normal stock of 1 million tons. This has resulted in locking up considerable capital in the industry. It constitutes a two-fold manace. The smaller collieries are faced with the stark prospect of closing down any further raising for lack of investment and other colliery owners are confronted with the problem of restricting the output for sheer want of stocking space. If the present supply of wagons is not increased immediately, colliery owners will have no alternative but to bring about a progressive reduction in output by about 25 per cent. To put it squarely, the choic is between a deliberate restrictionist output polic and a supreme effort to improve the transpo position. The evils flowing from the first ar only too plain. Already a number of industria units are starving for want of adequate co supplies. Any further diminution in co output will cause a serious disturbance t the production drive which is paramount need o the hour. Unemployment which will b brought in its train in the coal mines as als in several industries will be another headache. is a short-sighted course which instead of curi the malady will only help to aggravate it. Th railway authorities have therefore to do a litt critical search whether the transport position ca not be retrieved from its state of deterioratio It is estimated that the average daily allotment wagons for the movement of coal in the first s months of the current year was nearly 100 wago less than that in the corresponding period of t last year.

then their bargaining power. The global implications of this can well be imagined.

These implications, surely, are of considerable relevance to the government of India. It is true that the sun has set on the empire of the "seven sisters". But a new and fiercer orb is rising over an aggressive, new jurisdiction, viz., the oil kingdoms of the West Asian — North African region. As a country which must expect to have to be importing substantial and indeed increasing quantities of crude in the coming years, India is vitally interested in its government avoiding miscalculations or errors of judgment which might conceivably mortgage the long-term interests of its oil economy to short-term or, perhapas, even short-sighted gains. In a world, where there is every possibility of energy shortages becoming a threat to national economies in the years to come, India would do well to keep its options open.

Three cheers for REC

THE RURAL Electrification Corporation Ltd. (REC) has given a good account of itself, within a short operative period of less than three years It has thrown up a surplus of income over expediture at Rs 150.88 lakhs (before deduction of tax) in 1971-72 as against Rs 53.03 lakhs in 1970-71 and Rs 5.74 lakhs in 1969-70. For the second year in succession, it has declared a dividend; among public sector undertakings, not many can boast of such a record.

The REC had financed as many as 279 project-based schemes of rural electrification by March 31 this year. Except for five schemes which were for rural electric co-operatives, the remaining 274 received credits for projects prepared by state electricity boards. Special loans for the electrification of more than 1400 Harijan bastis have also been made. The total value of loans extended by the corporation totalled Rs 166.70 crores. According to the latest data made available by the REC, the number of projects approved by the corporation had risen to 295 as on September 30, 1972. The total loan assistance moved up to Rs 174.13 crores which will electrify nearly 27,700 villages, provide energy to 372,400 pumpsets and give service connections to 58,180 agro and light industries. More than a million domestic and commercial connections would also materialise on the completion of the projects finance for which has been sanctioned by the corporation. Normally a project takes from three to five years to be completed after it has received the sanction of the REC. It means that a majority of the projects approved by the corporation are at different stages of completion. The full impact of the operations of the REC on the rural life of this country will thus be seen in three or four years.

The working of the corporation during the past 30 months, in view of the above achievements, may look rather smooth. It should not however be forgotten that the process of screening different project proposals for rural electrification is not easy; it is an arduous and time-consuming operation. Thanks to the energetic efforts of Mr B. Venkatappiah, chairman of the REC, the corporation has so far tried to abide by the policy directives laid down for it by the government. Even though the very name of the corporation emphasises rural electrification i.e. the lighting up of rural houses, the central objective of the corporation has been to encourage the installation of agricultural pumpsets so as to increase facilities for irrigation and thus encourage agricultural production. It has been increasingly realised by planners in recent years that the success of the new agricultural strategy depends to a large extent on irrigation facilities for which purpose quick results can be obtained by small irrigation projects and for which rural electrification is a necessary adjunct.

The corporation is expected to examine each scheme put before it on the basis of a project approach and sanction is granted to it only if it satisfies the criteria of economic viability. At the same time, the corporation is expected to give special consideration to the requirements of relatively backward areas and even preferential terms and conditions of loans are offered to such areas. In other words, it is expected to keep a balance between schemes which, though not financially viable, would have to be financed because they are for relatively backward areas and also the schemes which are, financially viable and remunerative but situated in relatively prosperous areas. The danger here is that the corporation in its zeal to electrify backward areas might, in the coming years, neglect financially remunerative projects and thus create troubles for itself. Great caution, therefore, is necessary in the sanctioning of assistance for new projects especially in the under-developed, hilly areas and ordinary backward areas.

In its analysis of rural electrification at state-level, the corporation has listed Andhra Pradesh, Gujarat, Haryana, Himachal Pradesh, Kerala, Mysore, Maharashtra, Punjab and Tamil Nadu as those which are "above the average" while Assam Bihar, Madhya Pradesh, Meghalaya, Orissa, Rajasthan, Uttar Pradesh and West Bengal have been listed as "average and below". However, out of the projects sanctioned up to March 31, this year for state electricity boards, 131 were for the "above the average" category while 143 were for the "average and below" category. It means that the approval of project schemes so far by the corporation has been roughly and evenly balanced between the two categories even though Mr B. Venkatappiah's address at the third annual general meeting of the corporation laid great stress on the intention of the corporation to promote projects among weaker classes, particularly harijan bastis and "hill, desert and tribal areas".

It needs to be emphasised here that the corporation operates through the state electricity boards and not on its own. It has therefore been trying to acquire expertise in various aspects of village electrification in various parts of the country and in this effort it has sought the active co-operation of the state electricity boards. The process of formulation, implementation and co-ordination of development-oriented projects of rural electrification, therefore, depends to a large extent on the degree of co-operation between the REC on one side and the electricity boards and the state governments on the other. Rightly Mr Venkatppiah has emphasised that no general rules can be laid down for the successful working of projects in different states which would largely depend on co-operation between the officers of the REC and those of the state electricity boards and the state governments.

The challenges posed by these projects are formidable because of the inadequacies of talent encountered at state or district levels. Not only the implementation of the projects poses numerous problems but even at the formulation stage the response from the local levels is very discouraging. The REC has realised that it will need the assistance of professional bodies in its efforts to train people at various levels and it has therefore sought the assistance of management consultancy organisations such as the Indian Institute of Management, Ahmedabad, the Administrative Staff College, Hyderabad and the Indian Institute of Management, Calcutta. The Indian Institute of Management, Ahmedabad is making a study in depth of the managerial aspects of project formulation and implementation in three of the projects of the REC in Gujarat. Other institutions in their respective states are also conducting similar studies so as to acquaint the REC and the state electricity boards with the procedures to be evolved for training personnel at different levels so that the large number of projects which are going to be financed by the REC can be made to progress smoothly.

Power crisis in the north

IF THE consultations held here some days ago between the union Minister for Irrigation and Power, Dr K.L. Rao, and the chief ministers or ministers of Irrigation and Power of the states of Uttar Pradesh, Haryana, Punjab and Rajasthan are any indication, the current power crisis in these four important constituents of the northern electricity zone are likely to persist till the middle of next year. Presently, power supply in UP is said to fall short of requirements by three million kwhs per day. The shortages being experienced in Punjab and Haryana are of the order of two million units daily. Rajasthan's deficit is estimated in the neighbourhood of one million units a day. The supply position is comfortable only in the union territory of Delhi and in the states of Himachal and Jammu and Kashmir; the surplus power from these areas is being transferred to the deficit states, particularly Punjab and Haryana. The above estimated deficits take into account these transfers of power.

The present crisis, which is being attributed to the sharp decline in the generation of hydro-power– thanks to insufficient rains this year – is expected to worsen in the coming months. At Bhakra, for instance, the current level of water releases from Gobindsagar, which is about half of the level in a normal year, will go down further during the period between now and the onset of the next monsoon season. The New Delhi talks primarily aimed at arranging additional supplies to offset the future decline in power availability in the four states.

It has been decided to supply about a million kwhs daily to Punjab from Satpura in Madhya Pradesh and Bassi in Himachal. Haryana will get a similar quantity of power from Delhi. The supply to UP is proposed to be augmented from Bihar and Madhya Pradesh. A conference of the chief ministers of the three states has been called by the end of this month for this purpose. Rajasthan's problems, it is felt, will be over when the Rana Pratap Sagar nuclear power station starts producing a million units of electricity by April.

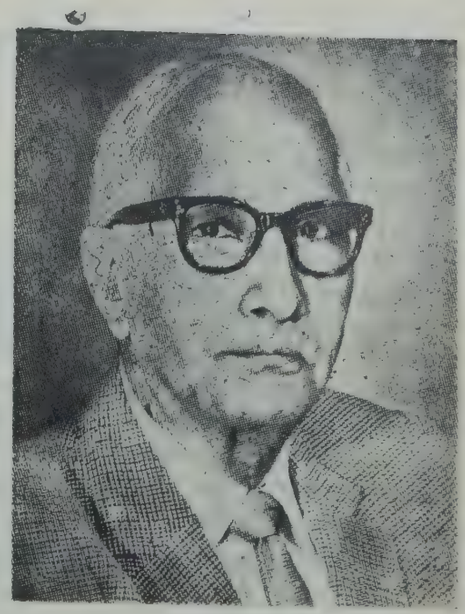
Incidentally, the hope that the Rana Pratap Sagar nuclear power station would supply some quantities of power to Haryana and Punjab would not materialise in the near future as the entire production from this station shall be consumed in Rajasthan itself. To some extent, the rigours of power shortage in Haryana would be mitigated after March next if the Badarpur thermal station is commissioned according to the present expectations. The supply of power in UP should similarly get augmented when the Obra thermal station goes on stream in the next two months. For firming up power supply in Punjab, the commissioning of the Bhatinda thermal station is proposed to be expedited to June-July next year from October-November, 1973.

Thus, while the transfers of power from the surplus states of Jammu and Kashmir, Himachal Pradesh, Madhya Pradesh and Bihar and the union territory of Delhi, along with the expeditious commissioning of the three thermal stations at Obra, Bhatinda and Badarpur and the running of the Rana Pratap Sagar nuclear power station to one million kwhs a day, should help in avoiding further deterioration in the supply position in the northern zone, it is imperative that available supply should be used scrupulously for meeting the most essential requirements till the situation improves with the onset of the next monsoon season. This should be done not only in the deficit states, but also in the neighbouring areas where there are some surpluses of power available for transfer to the deficit states. This is because there is dire need at present for keeping the wheels of industry moving, along with raising the output of rabi foodgrains by about 15 million tonnes to offset the shortfall in production of kharif grains.

It is, of course, encouraging to note that, except for the spokesman of the Punjab government, the participants agreed that power supply to the Nangal fertilizer factory should not be reduced further. With imports of fertilizers on any large scale not possible due to global shortage and the indigenous supply having already suffered a serious setback due to a cut of nearly 30 per cent in Nangal's output and the recent stoppage of production at Gorakhpur as a result of labour trouble the country can ill-afford any further cut in the production of fertilizers. The success of the rabi crash programme depends not only on easy water availability but also on adequate supply of fertilizers. A substantial portion of the proposed addition to output of 15 million tonnes of foodgrains apparently has to accrue from the wheat crop. In the revolution that has taken place in wheat farming, the role of fertilizers is not insignificant. With a view to making the best use of the available power supply in the rabi season, it is necessary to impress upon agricultiurists the importance of irrigating their fields during the night when the demand for power for domestic use is practically nil.

A long-term solution of the problem of power shortages in the country, calls for a two-pronged attack: (i) augmenting the generating capacity to somewhat more than the estimated requirements and (ii) rational distribution. Besides the fall in the generation of power in the northern zone, the present crisis has its genesis in the indiscriminate grant of power connections. During the fifth Plan period, the power generation capacity in the country is proposed to be stepped up to 40 million kws. Opinions differ on whether the proposed capacity would be sufficient to meet the explosive demand. The way we are going about to raise the capacity to 40 million kws, however, does not evoke optimism about our attaining even this modest goal. The clearance of the new schemes to be taken up during the fifth Plan period leaves much to be desired. If we are not to import power generation equipment on any significant scale, it is necessary that the orders on domestic manufacturers, both in the public and private sectors, should be expeditiously placed. The grant of power connection too has to bear a close relationship with the firm generation capacity. Malpractices in the form of unauthorised connections have to be put down with a heavy hand.

What have doctors to do with health?



Mr G. D. Birla

Good health, to Mr G. D. Birla has been always more important than good bussiness and nearly as important as the good life itself. In his own person and style of living, he has shown that a sound mind demands and deserves a sound body. Considering physical well being to be among the greatest good, Mr Birla, naturally, desires that it should be the just and joyful possession of the greatest number. In the area of industrial welfare, as well as that of philanthropy, Mr Birla has given of himself and his resources wisely and generously to the creation and maintenance of medical institutions and facilities for the benefit of people. Associated as he is actively with the the Bombay Hospital, an outstanding medical institution in that city, Mr Birla readily agreed to inaugrate a new medical research centre at this hospital on October 17. The text of his speech, which is reproduced here, shows him at his best in his characteristic qualities of robust commonsense, a sense of humour and vast compassion.

I AM NEITHER a physician nor have I any special experience of running a research institution like this. Therefore, perhaps, I am not quite qualified to stand before this galaxy of eminent physicians and tell them how to run this Centre or about its future activities. Shriyansprasadji (Mr Shriyansprasad Jain) perhaps selected me to inaugurate this function because of my old age. I am running fast towards the milestone of 80 and perhaps he thought that I was one of the prospective patients for this new Annexe, although I must say that there is not the remotest chance of this because I am keeping fairly good health. All the same, geriatrics is a subject in which many of us in this hall—even people younger than I—would be interested. How to look after the health of the old people so that they can live a long life with good health is a question for research at this medical institution.

There is no royal road towards good health. I have seen people living a highly regulated life with full control over their diet and yet not living long enough or having good health. On the other hand, I have also seen people who are not so rigid and yet have lived long. As a matter of fact, talking about my own family, my father died at the age of 93 and to the last days of his life he was taking long walks and was very disciplined about diet. On the other hand, my mother, who was not so strict, lived up to the age of 100. So you cannot explain these things.

I am told, some one said to Winston Churchil that one of his friends who neither smoked nor drank, but did regular exercise was keeping very good health. Churchill replied, "Yes, I smoke a lot, I drink like fish and do not take any exercise. Yet I am keeping good health." These are the points which this medical research institution should go into and educate people as to how to live a long and purposeful life with good health.

I am told that in certain parts of the USSR, there are people who live more than 100 years. I asked my friend the Russian Ambassador in India as to whether they had found out some secret. He told me that the people there slept eight hours, worked in the fields for eight hours and lived a contented life and that this perhaps might be the reason for their longevity. But, as I said, it is very difficult to explain.

But then the question arises: Is it an unmixed blessing to have a very long life? I had known Prof Karve who lived up to 104 years, but during the last years of his life his faculties had weakened. Visveswaraya was another person who lived quite long. There again I do not know whether he retained all his faculties. Therefore, naturally, in the mind of a person like me who is quite old, the question arises: Is it a pure blessing to have a very long life. But while this is a question which may arise from time to time in the context of Indian conditions, it is altogether irrelevant. The expected span of life at the time of birth in India is only 53 at present. (When we got independence it was much less). But this is against 72 in Sweden. So we are far behind other countries. We have a lot of leeway to make up. This is the responsibility of the medical profession and of this Centre.

Looking to the public health statistics of this country in other areas, we find we are far behind other countries. We have one doctor for every 5,000 persons, whereas in the USA, they have one doctor for 650 persons. Hospital facilities also are far behind in India as compared to other countries. For instance we have one bed for 1,800 persons whereas even in Japan there is one bed for every 90 persons. But then even these figures about beds are in a way misleading, because what kind of beds? It is not quantity alone that counts. It is also the quality. The quality as compared to beds in other countries is far inferior here. Therefore, as Naik Sahib (Mr V.P. Naik) said, it is not the task of the government alone, it is the task of the citizens – the public at large — to provide these facilities to the country– more hospitals at least five or ten times more, more physicians and more nurses and the quality too has to be improved.

Now another point why hospitals will have to be expanded. You know a lot of young men go to foreign countries and after passing examinations in medicine there and gaining new knowledge and experience return to this country and they want to be attached to a hospital. But since there are not enough hospitals, they go back to foreign countries and thus a brain drain, as they call it, takes place. It is the private effort in this direction that is needed. Often in this country we want government to do everything. Government will do things, but that does not mean we have no responsibility ourselves. So more hospitals, more doctors and more nurses will have to be provided.

But then again, assuming you have more hospitals, more doctors and more nurses, what about the medicines? Medicines have become very costly. Either we have to import or even when we make them in this country we have to get the formula from other countries. In fact, we are a kind of "Assembly" people — get the powder and fill the capsules and sell. But then it becomes very expensive. For the poor man to get treatment with

modern methods has become almost impossible.

There was a time — good old days — doctors wrote prescriptions — mixtures— quinine, ginger syrup, soda bi-carb etc. — put it all in a bottle with ten 'marks' —one 'mark' to be taken every four hours and gave it to the patient. It was not so costly. And if this did not do much good, it did not do much harm either. The man would look at the bottle, "shake well' and drink. That did not mean shake the patient well, but shake the bottle well. Of course in some cases some educated enthusiast reading from the bottle "Shake Well" shook he patients also! I feel nostalgia for the good old days. It was all different. We remember the good old days or the bad old days and get peace. We had in Calcutta a physician by the name of Dr Sir Kailas Chandra Bose, K.C.S.I. and all that. He used to charge eight guineas i.e. Rs 128 for a visit. Sir Kailas was a great physician. Immediately he set his foot in the patients' room, half the illness was gone. He laughted at the new doctors. He said "I do not believe in sputum examination, blood and urine examination, stool examination etc. This is the fad of the young doctors. Why do you want to examine these ? Only when a doctor sees the patient and finds out and diagnoses through his fingers he is a doctor." And he took his stethoscope — which he called his 'kan ka hookah'. "My kan ka hookah and my fingers are quite enough". It may be a good thing or a bad thing. But those days are gone. Now-a-days a doctor has to examine stool, urine, blood and when the reports come he tells the patient "Look, there is a 20 per cent Eosinophilia in your blood". The patient says "Well, but I am not suffering from anything." Doctor says "No, something has to be done because the record says it" and therefore, whether you like it or not you have to become a victim of the prescriptions. The whole question is how the poor man is going to cope with the situation when medicines have become so costly.

This will change only when we do the pioneering work. If you look at the history of all these medicines you will find that India has done no pioneering work. Penicillin, antibiotics, sulpha drugs, blood plasma, everything was discovered in foreign countries and put in the market. One thing which this Centre has to realise is that unless you can produce original things in this country — may be ayurvedic, may be unani, may be allopathic— unless you can create cheap medicines, a poor man cannot get cured by modern methods. We are copying the Western methods — even the copy is not a good copy. Therefore I would tell the eminent physicians that here is a challenge to them.

There is another point which I should like to emphasise. We have too much faith in medicines. A great physician in Calcutta — Dr B.C. Roy who had double British Degree, FRCS and FRCP, used to tell me that 80 to 85 per cent of the patients are cured without any medicine, five per cent perhaps are never cured and 10 to 15 per cent respond to medicines. But the difficulty is when you are ill you don't know whether to include yourself in the 80 per cent or in the 5 per cent or in the 15 per cent. Therefore from the very beginning you want to cover youself from every thing and so it does not matter whether you are 80 per cent or 15 per cent you say "I must take some antibiotic and face the consequences". This is another point. I myself am terribly afraid of medicines. I don't mind telling you that in the whole of my life I have taken only two pills of antibiotics.

Dr Roy was a great physician. He set certain codes for me. So if you see there is any ridiculing of the science, it was done by him and not by me, and you will excuse me for this. He said "If you are not well, you must consult a doctor, because the doctors must live. If he gives you a prescription you must purchase the medicine because the chemist must live. But when you get the medicine, don't take it because you too must live." Throughout my life I have adopted this principle.

There is another point which this Centre may like to examine. There is what is called as Dietotherapy. I am not talking of good fads but dietotherapy where the doctor precribes or prohibits diets. These are things perhaps which this Centre will have to take up. I am glad that this Centre is going to be in the hands of the best physicians of the town. It is bound to be good. Let us have more of such Centres and more of these hospitals. I wish the Centre all success.

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Australian Department of Trade and Industry

Lead bank scheme makes headway

Subhash J. Rele

IMPRESSIVE GAINS have been made by the Lead Bank Scheme on several fronts. Since the commencement of the scheme in January 1970 to the end of January 1972, banks in the public sector have opened 3,498 new offices. Of these, 2351 are located in rural and 575 in semi-urban areas. The pace of branch expansion of commercial banks has gained impetus from the operation of the Lead Bank Scheme. The quick surveys, carried on by the Lead Banks in their respective districts had helped identification of centres, requiring banking facilities.

It must be conceded that rural centres had a significant share in commercial bank branch expansion since nationalisation. No fewer than 2,712 offices were opened in these centres during the period July 1969 to October 1971, the total number of offices located in them rising from 1,832 to 4,544. During the same period, 782 new offices were opened in semi-urban centres, 367 offices in urban centres and 311 offices in metropolitan centres. The total number of commercial bank offices as on October 31, 1971 was 12,434 as against 8,262 offices on June 30, 1969. The comparative position of bank offices in the rural, semi-urban, urban and metropolitan centres as at the end of June 1969 and October 1971 is shown in Table 1.

TABLE 1

Bank Offices in the Rural, Semi-urban, Urban and Metropolitan Centres

	No of offices at the end of		Net Increase
	June 1969	October 1971	
Rural	1,832 (22.4)	4,544 (36.5)	2,712
Semi-urban	3,322 (40.1)	4,104 (33.0)	782
Urban	1,447 (17.5)	1,814 (14.6)	367
Metropolitan	1,661 (20.0)	1,972 (15.9)	311

Out of the total 4,760 new commercial bank offices opened during the period January 1969 to October 1971, 3,011 office were in unbanked centres. Table II gives the number of new offices opened in unbanked and banked centres by the public and private sector banks in the aforesaid period.

TABLE II

Number of New Offices Opened in Unbanked and Banked Centres

	Unbanked centres	Banked centres	All centres
State Bank of India	544	234	778
SBI (Subsidiaries)	299	125	424
14-Nationalised Banks	1,790	1,081	2,871
All public Sector Banks	2,633	1,440	4,073
Other Scheduled Banks	378	309	687
All banks—**Total**	3,011	1,749	4,760

The objective of the Lead Bank Scheme is not merely to open new branches and provide banking facilities but to assist the process of regional development. While the eight underbanked states — Assam, Bihar, Jammu & Kashmir, Madhya Pradesh, Nagaland, Orissa, Uttar Pradesh and West Bengal together accounted for 24.91 per cent of banking offices in 1966, it went up to 27.7 per cent in 1971. The prercentage will increase in 1972 if the same momentum is maintained.

Of the 335 districts allotted under the Reserve Bank's Lead Bank Scheme, survey reports in respect of 220 districts have so far been received from banks. The progress made by the Lead Banks in surveying the districts allotted and the number of offices opened in the underbanked districts (that is, districts in which the population served per bank office was above 100,000 at the end of September 1970) from Janury 1, 1970 to December 31, 1971, is given in Table III.

TABLE III

Progress Made by the Lead Banks

Number of districts allotted	335	(16)
Number of districts in respect of which survey reports have been received	220	
Number of offices opened	3,561	
Number of office opened in underbanked districts	751	

Following the establishment of a large number of new commercial bank offices, the average population served per bank office has declined from 65,000 in June 1969 to 42,000 in December 1971. The average will be further reduced to 37,000 after new offices are opened by banks in centres in respect of which licences have been granted/allotments made. The number of licences pending/allotments made as on January 31, 1972 was 1,696.

relative averages

The population served per bank office is above 50,000 in 7 out of the 18 states. Even among them, the relative state averages have been brought down substantially. Only in three states is the average still more than 100,000. With the opening of offices in centres in respect of which licences are pending with banks or allotments made to them, the position is expected to improve further. No state will then have an average over 100,000 of population per bank office.

The lead bank experiment is a new experience but banks are facing the challenge with a new new vigour and determination. Difficulties and hurdles are there but then no new endeavour in any field can be without hurdles and difficulties.

Mr C. Subramaniam, (when he was Planning Minister) pointed out that rural banking in India should grow on the basis of banks providing an integrated credit service to the community — combining in itself responsibility for advancing funds

as well provision of supplies and extension service to farmers along with the linkup of past-harvest problems of storage, transport, marketing and processing. He suggested that professional bankers should work out a few flexible schemes and implement them in the next year or two in different parts of the country. Based on the experience in these projects, "it should be possible", he feels, "to finalise our ideas on rural banking for various regions of the country". The application of science and technology was now confined to a select group of bigger farmers owing to the inadequacy of the system of supply of credit and technical services to benefit smaller farmers. The mere duplication of the traditional concepts of commercial banking to serve the needs of rural India will not succeed and new procedures for the sanction of loans need to be evolved.

catalytic agent

The Banking Commission in its recent report has made some worth while recommendation in regard to Lead Banks. The Commission cynically observes that banks should not be given Lead Districts away from the principal area of operations. Many may not agree with this view. The Commission further argues that Lead Banks are not the appropriate agency for conducting techno-economic surveys of districts. It should be the responsibility of the district authorities to prepare physical plans of economic development and banks may assist them by preparing credit plans within the overall plan. It rightly observes that Lead Banks can have only a limited success if other infrastructure facilities like transport, communications, storage, processing and marketing are not adequately provided by district development authorities. Without these facilities bank branches in Lead Districts can not be expected to be real catalytic agents of growth. Only then they can draw more and more economic activities of the area into their vortex. The success of the scheme depends, to a large extent, upon the formation of operational programmes for each district and their implementation. The criticism however persists that the scheme is not being shouldered at the highest level in each bank. Again it is naive to say that the potentiality of a district exhausts with the location of branches at "tehsil" towns. Some prospering "mandi" towns offer good scope for locating branches.

Nationalised banks are busy devising new methods and procedures to operate rural banks economically. It is suggested that to reduce the cost of operations, the rural branches should be exempted from the Shops and Establishment Act for the convenience of rural clientele. There is no reason why banks should not adopt a selective approach with highest deposit potential area for the maximum possible benefit. It is good to know that some banks are already engaged in evolving their own schemes to suit conditions obtaining in their areas. It is an accepted fact that in the initial stages, rural banking will not be profitable but from the long-term point of view and with the improvement in agriculture, the return will not remain low. The gestation period will vary from three to five years. Branch expansion in rural areas would lead to monetisation in unbanked areas. This would expedite the process of commercialisation of agriculture. Implementation of the branch expansion programme bristles with several practical difficulties. There is at present lack of adequately trained personnel. Emphasis should be on utilisation of local manpower. This obviously is a time-consuming process. Lack of remittance facilities and communications are two other major obstacles. Rural banks will have to adopt new techniques for deposit mobilisation and follow different schedules and working hours. There is a tremendous untapped deposit potential in the rural areas. Banks have to study modes of savings and investment of the rural population and foster the habit of savings in the people. Since there are a number of claimants competing for the growing saving potential, banks will have to meet keen competition from other financial institutions. The success of rural banking, to a large extent, is linked up with the plans to cater to the credit needs of small farmers. The small farmer forms the backbone of our agriculture and he is often taken for granted. While the big farmers get financial assistance either from the co-operative or commercial banks, the small farmer is left unassisted. It is necessary to identify the problems of small but potentially viable farmers in their respective areas and help ensure the availability of inputs, services, credit, etc.

TABLE IV

State-wise Distribution of Bank Offices and Population Per Office

State/union territory	No of bank offices		Population per bank office (in thousands)		No of licences pending/ allotments as on Nov 30, 1971
	June 30, 1969	Oct. 31 1971	June 30, 1969	Oct. 31, 1971	
Andhra Pradesh	567	886	75	49	139
Assam	81	141	188	105	42
Bihar	273	482	207	117	97
Gujarat	752	1,141	34	23	114
Haryana	172	270	57	37	38
Himachal Pradesh	42	94	80	36	40
Jammu and Kashmir	35	104	114	44	21
Kerala	601	875	35	24	94
Madhya Pradesh	343	576	116	72	180
Maharashtra	1,118	1,520	44	33	270
Mysore	756	1,152	38	25	138
Nagaland	2	5	205	103	3
Orissa	100	180	212	122	63
Punjab	346	588	42	23	103
Rajasthan	364	534	70	48	41
Tamil Nadu	1,060	1,414	37	29	99
Uttar Pradesh	747	1,206	119	73	281
West Bengal	504	708	87	63	135
Andaman and Nicobar	1	3	82	38	4
Chandigarh	20	30	7	9	5
Dadra and Nagar Haveli	..	3	..	25	1
Delhi	274	363	10	11	33
Goa, Daman and Diu	85	115	8	7	5
Laccadive, Minicoy and Amindivi Islands	..	2	..	16	2
Manipur	2	5	497	214	5
NEFA*	..	4	..	111	7
Pondicherry	12	21	31	22	2
Tirpura	5	12	276	130	5
All India	8,262	12,434	65	44	1,967

*In January this year, NEFA was remamed as Arunachal Pradesh.

Ten years of good going

R. V. Murthy

HE TENTH anniversary celebration of the Maharashtra Small-Scale Industries Development Corporation (MSSIDC) was refreshing departure from the routine such functions. The main and the ost interesting feature was a day-long orkshop on three important aspects that tally concern not only the MSSIDC, ut all small-scale industries — Management Perspectives, Approach to the perational Plan for the Second Decade nd Intensive Development Plan. Although the working papers on these three spects were presented by those in charge the MSSIDC and therefore touched aturally on matters affecting small-cale industries in Maharashtra, it would ot be wrong to say that these are more r less common to small-scale industries enerally throughout the country. The act that, besides two central ministers —Mr Y.B. Chavan and Mr Mohan Dharia — and two chief ministers — Mr V.P. Naik and D.B. Bandodkar — more than fty persons actively connected with small-cale industries in one way or another rom all over India participated in the orkshop, which formed part of the Offiers' Annual Conference, is an indication f the importance that the MSSIDC and s work have rightly come to acquire in he development of small scale industries.

o casteism

As chief guest at the workshop on he "Functions and Fulfilment of the MSSIDC", Mr Dharia took the occasion o repudiate the reported suggestion of a pokesman of big industrialists that there hould be no casteism in the industrial sector by way of such distinctions, s large-scale, medium-scale, small-scale, c., in order to make his point that this istinction and also reservations for the nall scale and village industries are very uch vital for their existence. Of course, e could not resist the temptation at the me time, of reiterating "our objective curbing the monopolistic growth and educing the concentration of economic ower". As the working papers and discussions there on at the workshop showed, is neither reservations nor lack of adequate finance that explain the slow progress of small scale industries, but rather e absence of good management. All the squieting features of modern small-scale dustries which Mr Dharia mentioned e mainly, if not solely, due to this. Mr Chavan was, therefore, more to the point when be observed that the future of small scale industries in India would depend on their own ability to improve productivity through adoption of modern management and production techniques.

slow growth

In the course of his speech, Mr Dharia made two observations that partly explain the slow growth of small-scale industries. The first refers to the slow pace of utilisation of the outlays made under the plan in the public sector for the development of these industries in some states and union territories. According to him, "the provisions made by the states for small-scale industries and industrial estates ranged from only 2.7 per cent to 0.21 per cent as against total outlays. What is still more disturbing is the percentage of the expenditure likely to be incurred during the first four years of the Plan for small scale industries which range from 10.3 per cent to 46 per cent. He also drew two conclusions from this: first, that "some states have accorded less than adequate priority to the development of these industries which are employment and production oriented and second, that there would be substantial shortfalls compared to the outlays provided in some states plans". Stemming from this followed his understandable exhortation: ". . in the context of some of the urgent and pressing national problems of growth, unemployment and regional imbalances, the development of modern and other small industries cannot be undermined."

Mr Dharia's second observation implies that state small-scale industries corporations have not been receiving the required encouragement from their respective governments in their task of promoting small-scale and agro-based industries. Hence his suggestion to the concerned state governments (Maharashtra state, however, is certainly not one of them) that efforts to discourage them (SSICS) are neither proper nor helpful for the growth of small-scale industries".

Now for a few words about the progress of the MSSIDC in its first decade. Although the MSSIDC was registered in October 1962, it actually began functioning regularly only some eight months later, thanks to the Chinese attack. However, making a modest beginning with just two activities, namely procurement and distribution of scarce raw materials and supply of machinery of indigenous origin, the corporation has come a long way. To give some relevant statistics, the share capital of the Corporation has increased from Rs 2.5 lakhs in 1963-64 to more than a crore rupee now. Its turnover rose from Rs 86.57 lakhs in 1963-64 to over Rs 12 crores in 1971-72 and it has given a dividend to the government every year (except 1969-70) since its inception.

promotional objective

More than these figures, it is the MSSIDC's perspectives and activities that really unfold its effectiveness as an organisation set up specifically with a promotional objective. Anyone who has followed the working of this Corporation cannot but be struck with the pragmatic outlook with which it has approached the problems of small industries. In launching new activities, it has not only shown enterprise but innovation too. In some respects, such as the clubbing together of small-value licences granted to a number of small industries and importing them in bulk, the Corporation was the first to conceive the idea which, though ridiculed at first, came to be accepted subsequently as official policy. Again, due credit must be given to the Corporation for having launched the Forum of Industrial Technologists (FIT) which consists of highly educated scientists and technologists working in any industry in India, large or small, who volunteer to give the benefit of their knowledge and experience to the weaker sections of the economy. Its latest achievement is the Unit Development Division which bids fair to grow in all directions to be able to tackle any problem, right from recommending a project to preparing a project report and even exporting its product.

What the MSSIDC has done to small industries in Maharashtra is common knowledge. But particular mention must be made of its efforts to ensure adequate supplies of raw materials, especially in the prevailing conditions of continued shortages in the country, to small industries, although it is dissatisfied that its performance should not have met even 35 per cent of the states need. A sure testi-

mony to these efforts is the complaints from other states that Maharashtra is lifting more raw materials than other states. Another is the reported remark of a central government official that "next to Hindustan Steel, MSSIDC has the biggest stockyard of steel material."

What small-scale industries not only in Maharashtra but all over India will be grateful to the MSSIDC for is its insistence, while establishing associate relationship with bodies like the STC, that this should be on the national level. For this purpose, it urged that the central canalising agencies, on the one hand, to bring in other state small industries corporations also and, on the other, took a lead in forming an association of all the State Small Industries Corporations in India. (This association was set up in 1970).

All these explain why, although the MSSIDC is by no means the oldest state small-scale industries corporation, it is regarded as the leading one among them.

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Economic trends in Japan

WINDOW ON THE WORLD

THE CIRCUMSTANCES surrounding the Japanese yen have aggravated further in recent months against the background of the international monetary uncertainty that surfaced in the wake of the floating of the pound sterling towards the end of June this year. Despite a steep 16.88 per cent revaluation of the yen against the US dollar in the December last year Japan's balance of payments has continued in substantial surplus. In the foreign exchange market, the spot rate for the yen has actually remained at its upper limit, and the foward rate is now quoted at a premium of about four per cent in annual rate terms. These developments have further clouded the outlook for the yen.

A lively debate has arisen as to international monetary reform, notably at the recent general meeting of the International Monetary Fund, centering on greater flexibility for currency realignment and a greater responsibility of the surplus countries for currency realignment. Should Japan fail to take some drastic measures in order to correct its balance of payments position, it would face heavier pressures from abroad for another revaluation of the yen.

With this in mind, we shall review the recent economic trends in Japan, placing emphasis on the balance of payments developments.

The revaluation of the yen in December last year caused an appreciable deceleration in the growth of exports compared with last year. On a customs clearance basis, the growth of exports slowed down considerably to 19.1 per cent in March, 18.6 per cent in April, 11.2 per cent in May, 7.2 per cent in June, 13.0 per cent in July and 17.1 per cent in August, in sharp contrast to gains of more than 20 per cent registered from August last year to February this year.

The effect of the yen revaluation, however, has been gradually offset by the economic recovery in the United States and European countries. Therefore, it is now difficult to go along with the general expectation that the effect of the revaluation will permeate in approximately two years and that the growth of exports will further decelerate.

For the January-August period of this year, exports of foodstuffs, textiles and metal products clearly slowed from a year earlier. It should be noted that exports of machinery and equipment, which account for about half the total exports, continued strong, though their growth rate fell from the previous 30 percent level to that of 20 percent.

new markets

Examined by destination, exports to the United States slackened during the period under review to a 3.3 per cent rise in August from increases of over 20 per cent in January and February. This easing can be explained not only by the effect of the yen revaluation, but also by the effects made by Japanese corporations to develop new markets in other countries so as to avoid more protectionist moves by the United States. This fact is indicated in sizable export increases to western Europe, Canada, the Middle and Near East and Communist countries. Exports to western Europe, in particular, showed an impressive advance, though a small amount of increase shows as a large rate of increase when its comparable amount of trade a year earlier is relatively small. As to other areas, the growth rates have not slackened except for exports to Southeast Asia.

As noted earlier, the slowdown in the export growth showed itself mainly in exports to the United States and Southeast Asia, which made up 30 per cent and 20 per cent, respectively, of the total value of exports. As a result, a growth rate of around 11 per cent is estimated for the fiscal year 1972 (April 1972 through March 1973) compared with a gain of 24 per cent in fiscal 1971.

sluggish movement

Imports since the yen revaluation have continued sluggish, though drifting gradually upward. Imports showed year-to-year gains of a little less than 11 percent on an average during the January-June period of this year, after moving sideways in the second half of last year. They rose 16.7 per cent in March, 12.3 per cent in April, 18.1 per cent in May, but slackened in June and July due to the prolonged seamen's strike, and then showed a reactionary rise of 37.4 per cent in August. Judging from this performance, there is no doubt that the growth of imports is accelerating but the trend of imports is likely to be affected by the pace of business recovery hereafter.

It can be said with certainly that Japan's economy has been set on the track of recovery. According to preliminary estimates, the economy grew at the annual rate of 11.7 per cent during the April-June quarter of this year, and a growth rate of more than nine per cent is generally expected for the fiscal year 1972 as a whole as against the earlier estimate of 7.2 per cent. But, since major demand components that support the economic growth are not business plant and equipment or exports as characterised by the past economic recovery, but personal consumption expenditures and government spending, the growth of mining and manufacturing production will be a little lower than that of real gross national product, as distinct from the previous pattern of business recovery, remaining at 8 to 9 per cent.

Though the growth of mining and manufacturing production remains still relatively stagnant, imports in fiscal 1972 are expected to rise about 18 per cent due to an expected expansion in imports of raw materials and fuels in proportion to recovery in production, as well as to the

effect of the yen revaluation, and measures to encourage imports will be taken in various ways.

Selecting here some characteristics of recent import trends from the actual results in January-August this year, growth of foodstuffs, textile materials and processed goods such as consumer goods has been impressive. On the other hand, imports of metal materials, lumber and other raw materials remain stagnant. Imports of foodstuffs and processed goods are likely to continue their growth here after, so that a change may be gradually brought about in Japan's import structure, which has been partial to raw materials and fuels.

heavy trade surplus

Taking the growth rate of exports for fiscal 1972 to be 11 per cent and that of imports 18 per cent, the trade balance is forecast to show a surplus of $88.4 billion, which is almost the same level as in fiscal 1971. On the modest assumption that the elasticity of the growth of Japan's exports to that of world imports remains at one until fiscal 1975, Japan's exports will grow at least by 10 per cent a year, if world imports maintain its annual growth of 10 per cent hereafter. As the growth rate of Japan's imports has been almost equal to that of mining and manufacturing production, an increase of 20 per cent in imports cannot be expected without a 20 per cent growth in mining and manufacturing production. As already mentioned, however, Japan's import structure is changing as imports of foodstuffs and manufactured goods have been increasing, so the increase in production will not necessarily be a prerequisite to the growth of imports. As a result, supposing that imports increase by 20 per cent and exports by 10 per cent during fiscal 1973, the trade balance for the fiscal year will show a surplus of about $7.4 billion. Even in this case, it is necessary that imports should be expanded by maintaining a rather high economic growth, and that voluntary restraint on exports should be continued to shift the flow of goods to domestic markets. Considerable efforts will be required to execute them.

The trade balance is expected to produce a heavy surplus of around $8.4 billion in fiscal 1972, and the balance on long-term capital is frorecast to register a record deficit of $3.3 billion, mainly through capital export measures by the government. As a result, the basic balance will show a surplus of about $2.3 billion. Taking a small deficit forecast in the short-term capital balance into account, the overall balance will register a surplus of about $1.5 billion in fiscal 1972, a sharp contraction as compared with $8 billion in fiscal 1971. Although the gold and foreign exchange reserves increased to $16.4 billion at the end of September from $15.8 billion at the end of July, they will remain at about the present level, as utilization of foreign currencies proceeds in the form of loans to private enterprises, for example.

As regards adjustment in Japan's balance of international payments, one of the big problems is correction of the trade imbalance with the United States. The United States trade deficit with Japan in January-June this year amounted to more than $1.9 billion, indicating that trade with Japan was the main cause of the deterioration in the United States trade balance.

It can be said that trade between the two nations tends to expand Japan's surplus for structural reasons. Japan has such a trade pattern as importing natural resources and raw materials from the United States and exporting heavy industrial and chemical products. United States exports to Japan consist mainly of agricultural products and raw materials, which have low income elasticity, so that they do not expand in proportion to Japan's rapid economic growth. On the other hand, Japan's exports are concentrated on industrial products, which have high income elasticity, and grow noticeably in keeping with the growth of the United States economy. As the result, the trade imbalance between the two countries has recently enlarged. Furthermore, an inflationary expansion of the United States economy since 1965 and a decrease in Japan's dependence on United States raw materials, due to an increase in supply areas of resources for Japan, are other factors accounting for the widened trade imbalance. Accordingly, improvement in the trade balance between the United States and Japan is not the sort of problem that can be easily solved by the revaluation of the yen. So far the trade structure between the two nations does not change, it may be necessary for Japan to make efforts for improving the trade relations through direct political measures. It is reported that Japan announced in the summit talks held in Hawaii last August to purchase $1.1 billion worth of goods and services from the United States. We cannot but conjecture the effect of such measures for the time being.

the yen problem

It is true that the yen revaluation is being reflected in the performances of Japanese exports and imports. But, there has been no significant change in the tone of a continuing massive trade surplus. One of the major reasons for this situation can be found in the relatively small decline in the competitive position of Japanese goods in the world market. The advance of Japanese export prices in terms of US dollar as the result of the yen revaluation has been offset considerably by the persistence of inflationary trends in other industrialized nations. It appears that the general currency realignment toward the end of last year has not yet achieved its full effect. Hence, much would have to be expected of international discipline in respect of national economic policies, especially on the price front.

Japan, for its part, is earnestly striving to redress its balance of payments. Since the full effect of the yen revaluation is not yet discernible, Japan has to eliminate the need for another revaluation of the yen that would deal a hard blow to export related industries. A solution to the payments problem is now being sought through domestic policies.

drastic measures

The fact that Japanese exports are half as much again as imports calls for drastic measures to reduce the trade surplus. A restrictive export policy involving the imposition of an export surcharge and export controls is now under debate. Correction of the payments disequilibrium is thus one of the two immediate tasks before Japan today, the other being the encouragement of domestic economic activity.

Now that a balanced expansion of trade is desired, it is imperative for Japan to augment its imports by means of expediting import liberalisation and reducing import tariffs while maintaining its orderly exports. Moreover, the nation will have to facilitate its economic co-operation and investments abroad. More basically, a shift of emphasis in the economic activities of Japan to national welfare, away from production and exports, will provide a fundamental solution for the problem of correcting trade and payments imbalance. Much is expected of progress in this direction.

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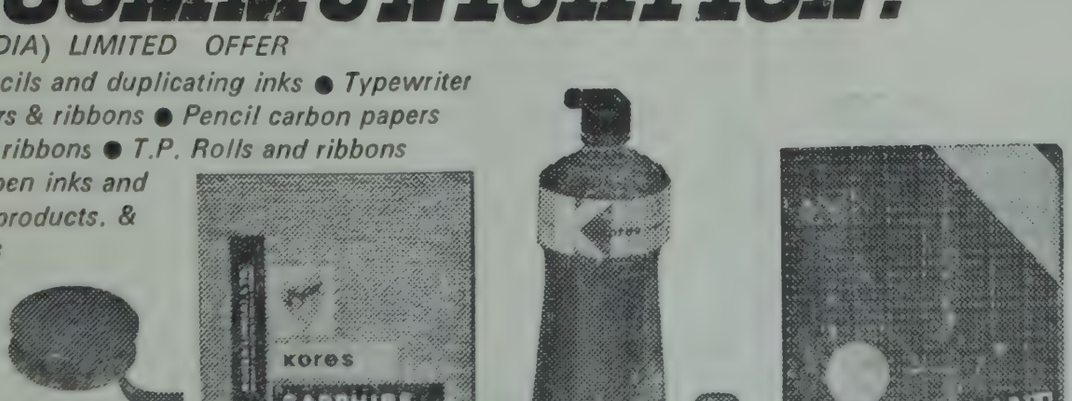
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Czechoslovakia : incomes and prices

Eduard Zahradka

THE DIRECTIVES of the 14th Congress of the Communist Party of Czechoslovakia (CPCz) on the fifth five-year Plan of development of the national economy (1971-75) specifies most concretely how and in what direction the living standard of the population is to improve. In the sphere of personal and social consumption of the population the main tasks are as follows:

(a) To ensure a consistent growth of nominal wages (annual average of more than three per cent) as a prerequisite for the increase in personal consumption;

(b) Stabilisation of retail prices and the prices of services, so as to ensure a rising tendency of real incomes; the cost of living index should drop to 99.5 points as compared with 1970;

(c) The social incomes of the population are to increase so as to ensure that the living standard of persons unable to work rises in keeping with the growth of the national income; and

(d) Help for families with dependent children is to gradually increase.

The first year of the fifth five-year Plan is already behind us and therefore it is interesting to judge as to what extent the specified tasks were fulfilled during that time. We shall take a look at the development in this sphere in the Czech Socialist Republic (data regarding the Slovak Socialist Republic differ but slightly).

targets reached

Last year the national income of the Czech Socialist Republic was a little higher than envisaged by the Plan— it rose by 4.9 per cent (4.4 per cent was planned). The cash incomes of the population (i.e. incomes from wages, agriculture, social and other sources) also rose. Altogether the cash incomes of the population rose by 8,000 million crowns — i.e. by 4.8 per cent — reaching a total figure of 172,500 million crowns. Wages make up the main part of the cash incomes of the population. Last year wages rose in all branches of the economy of the Czech Socialist Republic by an average of 3.7 per cent.

Development last year in the sphere of retail prices and consequently the cost of living, was interesting. The growth of nominal wages does not of itself ensure a growth of real wages, i.e. the actual buying power of the working man. This depends upon another factor— upon the trend of living costs. Enough examples can be seen today and every day in the western world where the rising prices of consumer goods, rents, transport and the like, result in higher living costs and so depreciate and often entirely annul the benefits which rising wages mean to the working man.

reduction in prices

Last year the price index recorded a slowly declining tendency in Czechoslovakia. At different times of the year prices were reduced — several kinds of foodstuff—so that the price level dropped by 0.4 per cent. The same tendency was noted in the price of industrial goods; by reductions in the prices of certain types of industrial goods (e g. textiles, refrigerators, television sets, radios and other selected industrial goods the price level of industrial commodities dropped by one per cent. On the other hand a slight increase was recorded in the price level of public catering — by 0.6 per cent; the price level of public services remained practically the same as it was in 1970— showing only a very slight increase of 0.1 per cent.

The rise in the income of the population of the Czech Socialist Republic and the favourable price trend were naturally reflected in retail turnover, which rose by 4.8 per cent, reaching a total sum of 123,000 million crowns. In this foodstuff accounted for 3.5 per cent, industrial products for 6.1 per cent, which were also in accordance with the directives for the fifth five-year Plan, and which envisages that expenditure on industrial goods will rise twice as fast as that on foodstuff.

There was a marked increase in sales of private cars last year, which rose by almost one third, due to the big reduction in car prices. Last year 79,709 private cars were sold in the Czech Socialist Republic, which is 32.1 per cent more than the 60,319 sold in 1970.

If we consider the trend of personal consumption of the population of the Czech Socialist Republic over the last year and compare it with the directives of the 14th Congress of the Communist Party of Czechoslovakia, we can state with a clear conscience that in this respect the first year of the fifth five-year Plan was very successful. The overall drop in the price level resulted in the cost of living index dropping to 99.5 points as compared with 1970 — so that real wages rose a little faster than nominal wages.

The economic results of last year have allowed for a start to be made on realisation of the conclusions of the 14th Congress of the CPCz in the sphere of social policy. In the first place the material situation of old pensioners (whose pensions were calculated according to the old scale) and of recipients of small pensions was improved; pension increases related to hundreds of thousands of pensioners and their families. At the same time there was a marked increase in help for families with dependent children. The child birth grant was doubled (it is now 2,000 crowns) and the maternity benefit has been extended by one year for all women with two or more children, until the youngest



child is two years old. These measures represented an increase of 200 million crowns in the total income of the population of the Czech Socialist Republic during the last quarter of 1971.

The growth of cash incomes of the population of the Czech Socialist Republic last year resulted, as in previous years, in higher savings. A 12.6 per cent increase in savings was recorded last year in comparison with 1970. The amount of savings-(i.e. the proportion accounted for by savings and ready cash in overall cash incomes) continued to rise. This tendency has been especially noticeable over the last few years. In the five years from 1956 to 1960 savings averaged 2.68 per cent, from 1961 to 1965 they rose to 2.70 per cent, from 1966 to 1970 they had reached 3.35 per cent and in 1971 they already amounted to 4.93 per cent of total cash incomes.

If the long term trend were to continue as it has done since 1960 then there should be an even greater rise in savings during fifth five-year Plan. From the end of 1960 to the end of 1971 savings-book deposits rose by 238 per cent, at an average annual rate of 11.7 per cent. Despite the increase recorded in retail purchases the share taken by long term savings in the total savings deposited in savings banks by the people is increasing. At the end of 1970 long-term savings accounted for 20 per cent of total deposits, and by the end of 1971 for 25 per cent. This type of savings is, naturally, intended for other purposes than for purchase of the usual industrial commodities.

The results of a poll conducted last year provide information on what the people of the Czech Socialist Republic are saving for. The poll ascertained the reasons for savings in the various types of households, and each household could give two or more reasons. The various purposes for which savings are intended (in percentage of the total number of households in the respective social group) as given in table.

The poll showed that the growing savings of the population are intended to improve the living standard – primarily in the housing sphere. This will mean not only greater demands on housing construction but primarily on the furnishing and modernization of homes with industrial goods such as automatic washing machines, colour television and the like.

The favourable trend in the national economy means that the basic aim of the programme of the CPCz's economic policy is to ensure a higher level in meeting the people's needs – was not only fulfilled in the first year of the fifths five-year Plan but it was also possible to introduce certain measures which exceeded the intentions of the Plan. There is no doubt that this situation provides good prerequisites for fulfilment of the main tasks of the fifth five-year Plan concerning the living standard of the Czechoslovak working people in the years to come.

Various Purposes for which Savings are Intended

Purpose of Savings	Households		
	workers	employees	co-op farmers
Number of households	1,296	1,368	569
Cottage—chalet	17.2	14.6	30.0
Co-operative flat	4.8	7.1	1.2
Furniture for the home	35.1	32.1	28.8
Private car	9.1	10.8	12.8
Holidays (at home or abroad)	23.1	33.3	11.6
Clothing	30.7	31.1	19.2
For old age	9.5	7.8	24.8
For children's benefit	30.4	34.4	42.9
Other purposes	10.8	10.1	7.9

Colombo Plan : a profile

The Colombo Plan Consultative Committee is in session in New Delhi from October 30 to November 8.

INDIA WHICH is the leading regional donor under the Colombo Plan, provided 322 training and student places in 1971—69 per cent of the regional total for the year. India also provided 12 technical experts to the region in 1971.

India is the third largest recipient of trainee and student awards (845). Vietnam (1,870), Thailand (1,276) and Indonesia (712) were the other large recipients under the Colombo Plan Technical Co-operation Scheme in which the major donors are Australia, Britain, Canada, Japan, New Zealand and the United States.

India received 109 experts in 1971, chiefly from the United States (52), Britain (34) and Japan (19).

Those facts are revealed in the 1971 Report of the Colombo Plan Council for Technical Co-operation in South and South-East Asia released recently. The Report is being considered at the 22nd Colombo Plan Consultative Committee Meeting being held in New Delhi from October 30 — November 8.

Since its inception in 1950-51, the Colombo Plan Technical Co-operation programme has provided 81,028 training and student awards for men and women from the region to acquire specialised training in the donor countries. This has been supplemented with the services of 15,278 experts, consultants and advisers in key areas of activity.

The cumulative expenditure on technical assistance since the inception of the Plan has reached $1,679.6 million, spent in the proportion of 18 per cent on trainees and students, 51 per cent on experts and 31 per cent on technical equipment.

The last three years have shown a decline in expenditure from the peak of $200 million reached in 1968. The provisional figure for 1971 is $ 156 million. The Report says that in the face of severe international and monetary crisis in the developed world some curtailment of aid was perhaps inevitable. This trend will have to be reversed by determined efforts to create a more positive attitude towards development aid based on greater awareness and involvement.

During the year 1971, a record number of 8,166 new training and student awards were made under the Colombo Plan. The major donor country is the United States, which provided 3,993 places or 49 per cent of the total. Australia (1,219) is the second largest donor, closely followied by Japan (1,208) and Britain (835). It is encouraging that Japan and Australia have maintained a steadily increasing trend in the number of training places awarded each year.

In 1971 Public Administration (1,305) displaced Education as the major field of training. This trend reflects the increasing sophistication of technical assistance requirements. Next in importance are Agriculture (1,233) and Education (1,148).

Japan maintained the role of principal expert donor country, supplying 589 or nearly 52 per cent of the new experts this year. The United States (192) was

the second largest supplier of experts while Australia (162) was third.

From the inception of the Plan 6,654 training and student places were provided within the region, constituting 8.2 per cent of the total. The best user of intra-regional training facilities is Nepal, which has sent 2,667 trainees or 54 per cent of its total trainees, to countries within the region. Malaysia (718), Thailand (711) and Sri Lanka (677) are other countries which have made relatively good use of regional training facilities.

The Report says that in the wide spectrum of development problems facing the developing countries in the 1970s, technical assistance will be required in ever greater measure for effecting educational reforms, formulating employment generation and income redistribution strategy and developing effective measures to reduce population growth. Another priority area for technical assistance is in the solution of environmental problems which will face the developing countries in seeking short-cuts to development through the application of modern technology. Technical assistance for agricultural research will have to be intensified and the existing network of training and extension services strengthened in order to consolidate the gains of the 'green revolution'

active role

In promoting interrational co-operation which the Colombo Plan embodies, India has played an active role ever since its inception 21 years ago. While India has received considerable assistance under the Colombo Plan, she has been the leading donor country within the region, providing 59 per cent of the total aid forthcoming from developing countries. Her immediate neighbours, Nepal and Bhutan, occupy a special position.

India's economic assistance to Nepal up to March 1972 amounted to Rs 90 crores. Of this, Rs 40 crores had been spent on roads and airports and Rs 27 crores on projects for irrigation, power and water supply. Indian assistance has also been utilised by Nepal for promoting education, agriculture and community development. An agreement for the construction of the central sector of the East-West Highway from Butwal to Nepalganj, costing Rs 25 crores, was signed last July. The Indian aid to Nepal for its fourth five-year Plan is likely to be around Rs 46 crores, roughly half the total foreign aid Nepal expects to receive.

India has been helping Bhutan financially to build up its economic infrastructure and implement its second five-year Plan. A sum of Rs 20 crores has been earmarked for expenditure on mutually agreed projects.

While India's economic assistance has been largely confined to Nepal and Bhutan, she has provided technical assistance to almost all countries in the region in the form of training facilities in India, services of Indian experts and some equipment.

India has supplied livestock and equipment worth Rs 40 lakhs to Ceylon, Vietnam, Afghanistan and Burma. Equipment has been provided to Burma to train people in survey work. India is also supplying apparatus and chemicals to preserve art objects found in monuments and museums. India is also building roads for Afghanistan.

training facilities

In the field of technical assistance, up to the end of 1971, India had provided 4,994 seats for training in forestry, agriculture, power and fuel, public administration, statistics, fisheries, banking and finance, small scale industries, etc. Roughly half the beneficiaries have been nationals of Nepal (2,516) followed by those of Sri Lanka (559), Malaysia (449), Thailand (374), Phillippines (344), Afghanistan (218), Indonesia (136) and Burma (130).

India also lent the services of 212 experts to the countries of the Colombo Plan in fields such as irrigation, hydraulic surveying, co-operative management, fisheries, small-scale industry, education and agricultural statistics.

According to the latest figures avilaible, India has received under the Colombo Plan capital aid and technical assistance worth Rs 88,770.82 million. The major donors have been the UK, the USA, Canada, Australia, New Zealand and Japan.

aid to India

Australia and Canada have given India considerable capital assistance on grant basis in the form of equipment and commodities. The UK has provided experts and training facilities in Britain and supply of scientific and technical equipment. New Zealand has also assisted by way of cash grants and equipment.

The United States has aided India in practically all sectors of the economy.

Some of the major projects assisted by Canada are the Umtru, Mayurakshi, Kundah, and Iddikki irrigation schemes the Canada-India Reactor at Trombay and the Maharashtra State Transport Corporation. Australia has assisted in the Tungabhadra and Ramagundam projects and in dairy and bakery development. Both Australia and Canada have also given food and Britain has financed IIT and other technical institutions. Japan has provided training facilities in agriculture, fisheries, small-scale induustries and public health.

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davp 537 (79)/72

Summit : success plus scepticism

E. B. Brook
Vienna.

ANOTHER so-called "milestone" has been passed : the Paris summit of the nine existing and coming members of the European Common Market has been achieved without too much obvious disagreement although, as so often with Market "summit" sessions, the delegates had to work past zero hour to find a form of words acceptable to all.

To get metters in some perspective after all the emphasis on western Europe, an area which has arrogated to itself the word "Europe", it is necessary first to note that this rich commercial area, the homeland of several former colonial powers, acknowledges that it owes more to the industrially and commercially developing areas of the world in direct assistance and, more importantly, in giving trading opportunities than it has done hitherto. What effect this acknowledgement will have in practice and in the long run remains to be seen—there was somewhat similar confession in the last decade, especially at the time of the Kennedy Round discussions, but later performance did not come up to expressions of intent.

new supermarket

Providing commercial opportunities to countries in Asia, Africa and South America in excess of what they already have in western Europe will certainly not be among the first three or first ten practical objectives of the expanded Common Market. The Parisians, who took little interest in the momentous meeting in their midst, put the matter fairly in a nutshell as far as the west Europeans are concerned by remarking : "It's a new supermarket, isn't it?"

Of the expressed intentions, and Frenchmen smile knowingly at some of them, that which will receive the most unremitting attention is the further development of the west European area into an economic and monetary union. The development of democratic institutions within the Market in place of its already highly developed bureaucracy or, at least, to supervise, will come a very poor second—as the Dutch very quickly discovered when they tried to insist on inclusion of a clause in the conference communique pledging the Market to set up a universally elected parliament to decide Market policy. The European Parliament at Strasbourg will remain a minor adjunct of the Common Market for the unforeseeable future.

economic prosperity

Another more sugary part of the expanded Market's expressed programme is the intention to expand commerce and economic prosperity "in service of the improvement of general living standards": with a general price rise in prospect in all new member countries and in all countries with Market association from the beginning of the new year through the Value Added Tax this piece of rhetoric makes others than Frenchmen give a sour laugh. What is far more likely to achieve improvements in general living standards will be union pressures and the pugnacity of the small traders in almost every country.

It is worth remarking at this time of emphasis on union bigness in west Europe is that not only has the little man (and woman) in business seen the red light and unions become more belligerent, but relatively small businesses have been able to prove themselves to be more prosperous and successful than some of the giants.

The two-days strike by Belgium's 700,000 self-employed small shopkeepers, doctors, stockbrokers and others against "bureaucratic and tax pollution" and the burden of the Value Added Tax was highly successful. The strike, with some violence, shut the Common Market's capital and rubbed in the fact that, in the last resort, it is the little man who has to fill in tax forms, pay taxes and support social-assistance schemes imposed without his consent that matters.

Similarly, in France, the present day successors of the 1950's "Poujadists", the small shopkeepers and small business men, have been so successful against even attacks by the notorious French riot police that they have compelled the France of Market-minded Pompidou to establish a ministry of small commercial undertakings which has come to listen attentively to the points of view of small shopkeepers.

In Holland there remains great restiveness against the importation of so much foreign labour and, in federal Germany, sentiment against filling the labour market beyond what Germany can itself supply is gaining ground as the cost of living rises.

There is a risk, remote at present but which could become serious, that the Common Market ministers and secretariats (almost entirely male) may run up against the shrewd, saving and money minded instincts of the European business and working woman—a hard-minded breed far more numerous and influential than in Britain.

conglomerate giants

It is a slightly wry fact that it should be a French magazine that has just publicized that the productivity, dynamic and growth prospect of over 250 small west European firms exceeds in proportion that of the great "conglomerate" giants such as Shell. Unilever, and Volkswagen. It drives home the point that these giants, though they achieve striking success at times, also make heavy losses and immense mistakes. Coming just at this time it is taken as a warning to the expanded Market not to nurse the illusion that size and financial reserves are everything.

From another quarter, the trades unions, the Market hears warning noises. The continentals are not at all happy that they are taking to themselves not merely the British government (which will not always remain Conservative) and British business—to which it regards as conservative and old-fashioned—but also the belligerent and comparatively well-organised British trades unions. The pound is as sick as it has ever been since the war and, despite all the patriotic noises proceeding from the Fleet Street the coming of Britain and of Ireland into the EEC is regarded in general as acceptance of two sickly adherents.

The unions' belligerency is likely to cause one of the first of the many family disputes that are imminent in the enlarged Common Market. The Market Commission's recommendation that present and future member countries adopt a system of worker participation in all public companies with over 500 employees has already raised hackles in Britain.

There is a series of vexed questions that will keep the enlarged Market from becoming strikingly effective for at least another year and among the many watchers will be the much quieter economic bloc in Europe with headquarters indisputably in Moscow.

MOVING FINGER

Ever since the (more or less) great split in the Indian National Congress that was and especially before, during and after the two general elections —one central and the other state-level which gave Mrs Gandhi her famous (or, if you please, notorious) massive mandate (with an *encore* and all), certain economic ministries of the government of India have been suspected of having been used for fund-raising purposes. It is of course no new thing that political parties or politicians have almost always been fighting their election campaigns with other people's money raised by means which cannot be openly acknowledged, but what is rather special about activities of this kind, as carried out in recent years, is the organized but clandestine manner in which the authority and the machinery of government have been abused on an extensive scale by ministers or their minions in the administration.

The names of several individuals in public life or political office have been mentioned from time to time as star performers on this smelly stage and, ministry-wise, suspicion has attached itself to Finance, Health, Petroleum and Chemicals, Steel, Industrial Development and, above all, Foreign Trade among others and to the Department of Company Affairs and to the state trading or other government agencies similarly situated to grant favours or deny service. On the other side of the bargain, apart from individual businessmen, trade associations relating to industries such as tea, jute, sugar, cement, woollen and pharmaceutical have been (or attempted to be) bribed or blackmailed into paying into political coffers (reportedly endowed with convenient leaks of liberal dimensions).

It is perhaps against this basically political background that the "rags racket" must be investigated. It is quite obvious that exporters of woollen goods could not have abused their import entitlements for rags and illegitimately traded in imported woollen garments to the extent they have been doing if this has not been connived at by corrupt officials in the STC, Customs and, possibly, the Ministry of Foreign Trade if not Finance as well. Even such broad details of the suspected *modus operandi* as are available clearly suggest that this is the case. The wonder can only be how it was that the cat was not let out of the rag-bag, so to speak, much earlier. Could the freightening answer be that such or similar malpractices are taking place on such a massive scale throughout trade or industry, with dishonest businessmen conspiring with corrupt authorities or *vice versa* that any specific transaction, however scandalous in itself, tends to get lost in a gigantic aggregate of swindles? Whatever may be the answer here, the important issue is whether and to what extent the politicians in power are involved in the rags racket, apart from officials? Have the rag merchants or, rather, rag manipulators, in other words, besides bribing employees of government or state agencies, been required to pay tribute to party chests or graft to political bosses? A judicial inquiry is emphatically in order. Whether the prime minister would order one may not depend only on the obvious necessity, on grounds of public interest, for such a probe.

Meanwhile, down south, in Tamil Nadu, a popular movement against corruption in politics and administration seems to be taking shape. The newly formed ADMK, a splinter group of the DMK, is giving form and direction to the widespread feeling in the state that ministers and ruling party bosses have been accumulating personal or family wealth by misusing their positions. It is rather amusing to find newspapers, such as *The Statesman* or *The Hindustan Times*, writing from their remote situations, editorialising rather superciliously about the prospects of the MGR revolt. It is true that the Tamil Nadu ministry has decided to hang together for the time being. It is true again, that there has been no exodus of DMK MLAs or MPs to the MGR camp. But is it not only too obvious that the Karunanidhi leadership has been effectively challenged both at the party level and the popular one and that DMK politics will never be the same again? While their is a ferment in the rank and file of the party, the MGR enterprise has already developed a nucleus of activists around whom a serious structure of confrontation may build itself up in due course to challenge the prevailing one-party rule in the state.

Nor is this all. The crack in the monolithic image and presence of the DMK has been a signal for initiatives on the part of other political parties in the state such as the Kamraj Congress the CPI and the Swatantra. While MGR may not be able to distrupt the DMK as dramatically or decisively as Mrs Indira Gandhi shattered the Indian National Congress, he seems to have already succeeded in forcing the issue of clean government in a way which the Karunanidhi leadership ought to find extremely uncomfortable to face. The editorial writers have been asking whether MGR or his ADMK has any policy or programme to offer to the people; will it not suffice for either to say that he (or it) too swears by *gharibi hatao?*

By striking down the government's newsprint policy and declaring its Newsprint Control Order to be unconstitutional, the Supreme Court has served notice on Mrs Gandhi's court that the law of the land will not allow the politicians in power to play with the freedom of the press on fictitious grounds of social justice or specious pleas of public interest. While the judgment does not question the right of the government to determine the quantum of newsprint to be imported in the light of the availability of foreign exchange for this purpose among others, it has set its face against ministers or officials placing restrictions on pages or circulation and dictating to individual newspapers or arbitrarily chosen categories of newspapers how they should use the newsprint allotted to them. It has held that such directives infringe the Fundamental Right to Freedom of Opinion and Expression besides involving the practice by the government of discrimination against some newspapers and in favour of others. The government's argument that its newsprint policy is justified by the need to encourage small newspapers or deal with alleged monopolistic tendencies in the press has not been found to be either sound or sufficient. The big question now is whether this judgment and its implications will deter the adventurists and opportunists in the ruling party from persevering with their conspiracy to bring about the regulation and control of the functioning of the press by the government in much the same manner in which industry or trade has been brought under the political supervision of the state.

A matter of lesser interest is the personal position or the political future of Mr Gokhale. He is already a recognised failure in the portfolio of Petroleum and Chemicals. His functioning as Minister of Law has also been suspect for some time. The government's latest reverse in its clash with the Constitution is hardly likely to strengthen Mr Gokhale's claims, if any, to continue in the cabinet.

VB

BOOKS BRIEFLY

Partners in Peace

Reviewed by
Academicus

Partners in Peace —Study in Indo-Soviet Relations: K. Neelkant; Vikas Publishing House Pvt. Ltd, Delhi, (1972); Pp 192; Price Rs 20.

Non-Appeasement: **M.L. Sondhi**; Abhinav Publications, New Delhi, (1972); Pp 291; Price Rs 35.

Capitalism, Socialism and Planning: Baidyanath Misra; Oxford and IBH Publishing Co., New Delhi, (1972); Pp 272; Price Rs 7.

Science and Human Conditions in India and Pakistan: Edited by Ward Morehouse; Bombay Popular Prakashan, (1972); Pp 230; Price Rs 32.

Economics of Public Expenditure: T. Mathew; Vora and Co. Publishers Pvt. Ltd, (1972); Pp 260; Price Rs 25.

Jawarharlal Nehru wrote in his Discovery of India: "I had no doubt that the Soviet Revolution has advanced human society by a great leap and had lit a bright flame which could not be smothered and that it had laid the foundations for that new civilisation towards which the world could advance." It is in this perspective that the Indo-Soviet relations developed during the last twenty five years culminating in the Indo-Soviet Treaty of Peace, Friendship and Co-operation of August 1971. The author has traced in this book *Partners in Peace—Study in Indo-Soviet Relations*, the development of the Indo-Soviet relations since independence and has made a singificant contribution to the field of India's foreign relations.

early links

The author begins by tracing early links between India and Russia. He refers to Afanasi Nickitin's visit to India between 1469 and 1472, I.P. Minaev's attendance at the first session of the Indian National Congress in Bombay in 1885, Tilak's meeting the Russian consuls Tiherkin and Kemm, correspondence between Gandhi and Leo Tolstoy, Ravindranath Tagore's visit to Russia ("..my life's pilgrimage would have remained incomplete."), Nehru's visit to the USSR ("..I am leaving my heart behind."), establishment of diplomatic relations between India and the Soviet Union in April 1947, the three trade agreements in 1948, 1949 and 1951 and the visits of Indian dignitaries to the Soviet Union and of the Russian dignitaries to India. There is no doubt that the Indo-Soviet friendship has not been a sporadic development but has been "gradually nurtured by decades of significant history and mirrors the process of cohesion of the forces of socialism and the national liberation movement."

identity of views

It is also to be noted noted that over the past 25 years, Indo-Soviet relations have ceaselessly made attempts for peace, helping newly emerging nations to stablise their freedom. On most international issues such as Kashmir, China, Korea, Goa, West Asia, Indochina and disarmament, India and the Soviet Union have held practically identical views. Whatever divergent views India held on the question of Hungary and Czechoslovakia have not been allowed to create any fundamental misunderstanding between the two countries.

The Soviet Union displayed genuine concern for the feelings of the people of India and Pakistan by facilitating the meeting at Taskhent between Shastri and Ayub Khan in January 1966 and helping in its fruitful conclusion in the form of the historic Tashkent Declaration on January 10, 1966 which emphasised the principle that continuance of tension in the subcontinent would not serve the interests of the two peoples. This is part of the general policy of the Soviet Union of befriending all countries, especially its immediate neighbours. Unlike the western powers which aim at pitting one country against another with a view to maintaining balance of power, the Soviet Union looked upon Indians and Pakistanis as one people — ethnically and culturally — though artificially cut apart by the colonial powers.

The Soviet Union offered the best working model to India — the concept of state primacy in economic affairs, progressive take over of industries by the public sector, modernising farm techniques aiming at maximising food production and more egalitarian distribution of income and wealth. It was on this bedrock that the Indo-Soviet economic collaborations has been founded during the last 25 years. There is no doubt that the Soviet Union has helped India to attain a more rapid rate of industrialisation and become economically more independent. It is to be noted that the credits granted by the Soviet Union to developing countries are repaid with exports of commodities from these countries and are therefore no burden on their balance of payments. The Soviet Union offered India help and today India is USSR's biggest trade partner among the developing countries. Also, it could be observed that the Soviet collaboration in India is as a rule in the field of basic and heavy industries and other economic infrastructure, unlike the US collaboration which is mostly in the field of consumer goods industries. This has definitely helped strengthening the foundations of the Indian economy during the last 25 years.

growing trade

As regards India's trade with the Soviet Union, from a mere Rs 130 million trade turnover in 1953, it is expected to rise to an estimated Rs 3,870 million in 1972. India has a growing market in engineering goods in the Soviet Union which has shown considerable understanding of India's changing needs. Another significant feature of Indo-Soviet trade is the Soviet readiness to purchase part of the products manufactured in the Soviet-aided projects in India. Under this scheme the Soviet Union has already bought about 600,000 tons of structural steel from the Bhilai steel plant and it has been buying surgical instruments and ophthalmic glass since 1971. There are also plans for the supply of steel by USSR for conversion into cutlery in India for export to the Soviet Union, supply of automobile ancillaries by India and the offer of credit facilities by the USSR to the public and private sector to set up export-oriented industries in India.

In the field of agricultural collaboration, the Suratgarh experiment has de-

monstrated that given modern machines and scientific methods, waste land can be rendered fertile and even a desert can be made to blossom.

It is all these developments over the past 25 years which culminated into the Indo-Soviet Treaty of 1971 which was to a great extent responsible for the creation of Bangladesh by holding at bay the possible mischief-makers. The treaty will act as a bulwark against military adventurism and neo-colonialism.

The author has given quite a readable account of the development of the Indo-Soviet relations. One is convinced that if today India is becoming a power in South-east Asia and is in a position to defy countries like the USA, no small part of the credit goes to the Soviet Union. And yet the account savours of partisanship. One wishes that the author had been more critical and shown the readers the extent and limitations of Indo-Soviet relations and the dangers that lie ahead in leaning too heavily on a single country. This implies that India must not allow others, even the Soviet Union, to take her for granted and that she will have to play a balancing game between the USA, USSR, China and now Japan, if her foreign policy is to be realistic and make her a major power. Pro-Soviet Indian writers right from K.P.S. Menon to K. Neelkant need to be more critical and less adulatory when writing on Indo-Soviet relations.

NON APPEASEMENT

Coming into existence of Bangladesh should be a pointer to the new directions towards which Indian foreign policy must move in years to come, if India is to play an effective role commensurate with her size, population, resources and history. Sondhi in his book *Non Appeasement* believes that India has and can play a positive role in future.

The author is firmly of the opinion that India's successful efforts in freeing Bangladesh will be meaningful only if the government of India commits itself to a declaration of non-appeasement. India's commitment to Bangladesh, her obligation to work for relaxation of tensions in Asia and the decisive role of her military strength should all be reflected in a new foreign policy programme "firmly anchored in the principle of Non-Appeasement." According to the author India had been playing all along the role of a good broker between the USA and the USSR in a bipolar world. According to him, this non-alignment hardened into a static view which hindered India from fully utilising her various policy options. The author has indicated his approach to this problem and believes that "the pre-condition of restoring dynamism to Indian leadership in world affairs is to construct a relevant foreign policy on the bedrock of non-appeasement, which will give us a tenacious strength to our national interest and integrate it with the emerging world order."

practical co-operation

According to the author, Indian national interests have not been served by pretending that non-alignment provides an institutional framework that would bring about practical co-operation between countries. Sondhi is of the opinion that India has not taken any serious initiative which reflects our understanding that military strategy and foreign policy are interlocked, that it is necessary to identify the innovations made by others in scientific and technical enterprises, that Indian non-alignment ignores the management of world-wide mass media and that while the ideology of non-alignment argues for the relevance and utility of international economic co-operation, a non-aligned foreign policy is not related to the ethos of a dynamic world which seeks to maximise economic benefits through the technological and economic effects of its foreign policy. It is due to the neglect of these considerations that India's foreign policy was exposed to severe domestic cirticism.

The consequence was that non-alignment has had certain evil effects such as encouraging "an attitude of conservatism on the part of Indian policy-makers.. making India an honest broker between East and West." "It is essentially a static way of looking at the world and it prevented India from anticipating future attitude of China. Non-alignment, according to the author, prevented India from checking Pakistan's aggressiveness and from exposing "the incompatibility of the long term interests of Pakistan and those of the United States and the Soviet Union," It failed to project the 'core values' of a secure Asian peace order. Non-alignment discouraged us from developing an independent and sophisticated military complex and made India status quo-minded in respect of the international organisation. And above all, though we were friends of both, we failed to get from the USA and USSR a secure commitment to our territorial integrity. Diplomatically both of them brought pressure on India to appease those who have territorial ambitions against India.

Non-alignment is rooted, according to the author, in a bipolar view of the world; as against this a multi-polar world requires a national policy of non-appeasement to meet the challenges of a highly complex power configuration in the world. The author therefore advocates non appeasement policy which implies "increasing self-management in foreign policy and co-ordination of our efforts with countries which are emerging as distinct links in the post-bipolar pattern of the world."

The author is of the opinion that India has a positive ideological role to play in the international sphere. "The natural links that exist between India and other traditional cultures make opportunities available to translate into action historical and cultural point of view which abjures fanaticism and undertakes international community organisation on the basis of a non-hegemonial system in which each unit country follows its own *Swadharms*."

role in Asia

As regards India's role against the Asian setting, India must take note of three guidelines: "India must anchor its diplomacy to the basic principle that political dislocation must be avoided in each local area within the South-east Asian system. India must overcome self-doubt and organise opinion which can support negotiations in an Asian setting and India must give priority to dealing with the Chinese threats in South-east Asia, with creative planning instead of leaving the initiative to the Russians and the Chinese in this area." India must develop regional and Industrial co-operation in this area. India and Japan must strive for a basic understanding of mutual objectives in this area. Following out of this, the author wants that India should exercise more effectively her nuclear options. Sondhi insists that "We must seek to understand the position of all those who are near-nuclear powers.. We must refuse to be branded as non-nuclear power. Our national interests demand that we should sponsor a Near-Nuclear Conference and utilise the opportunity to expose the hegemonistic designs of the present nuclear powers who want to make their own position secure at the cost of undermining the legitimate security interests of others."

A number of quotes from M.L. Sondhi's book have been purposely reproduced above. If you are not already fed up with them, here is one more gem "... the reflexive character of the Super Power's involvement in India is reinforced by non-alignment and prevents India from neutralising their ideological and political pressures; the ignorance of the dynamics of American-Soviet collusion politics impairs the operational value of innovations and results in undermining Indian bargaining position.."

Of all the branches of political science international relations is the least developed. It is mainly an art and craft. One therefore expected that the author would dis

cuss the problems in concrete terms. What one however finds is a baffling and irritating type of prose, bombastic and involved and therefore conveying only some vague ideas of the author. The author appears to be the past master of an English style which completely fails to convey to the readers what he wants to say. While one can certainly understand the partisan views of the author, his failure to be explicit cannot be condoned. That problems of foreign policy can be analysed with exemplary clarity is shown by another book on the same subject under review in this very issue. While the author is free to advocate whatever he wants to, he will have to alter his style fundamentally, if he wants his books to be read and above all to be understood by the students of Indian polity.

ECONOMIC GROWTH

Since the fifties, a common belief held by economists was that fiscal policy was a sufficiently powerful instrument under capitalism to attain the goal of economic growth and at the same time attain the goal of social justice. But the experience in India during the last two decades has shown that mere fiscal policy is not an effective instrument either to effectively mobilise resources or to bring about a more equitable distribution of income and wealth under capitalism or for that matter even under mixed economy. The belief has now gained ground that a projection of rate of growth of national income or a planning technique dependent mainly on fiscal policy cannot form the basis of national policy to create employment opportunities and to reduce economic disparities. Existence of the institution of private property and of the law of inheritance acts as a serious impediment in the operation of fiscal policy attempting to realise both the objectives of economic growth and social justice.

It is on account of this that socialism with public ownership of the important means of production is being advocated by quite a large number of intellectuals for achieving economic growth with social justice. Public ownership of the means of production is expected to simplify the process of capital formation and equitable income distribution. But experience shows that here also some problems need probing. How effective are public enterprises in accelerating capital formation? Can they bring about more effectively equitable distribution of income and wealth? Would planners' guess, instead of market forces, be more effective in efficiently allocating community's resources among different occupations or would the allocation be inefficient and wasteful? And what happens to the individual freedom when the means of production are owned and controlled by the state?

These are all extremely complex problems. Before a society decides to embrace a particular economic system — capitalism, communism or mixed economy — it must be aware of the advantages and the evils involved in each of the systems. Blind acceptance of any system would only ultimately spell disaster and disappointment. In this book the author has made a fairly successful attempt to probe into some of the above problems.

The author has begun his analysis with an enquiry regarding the basic postulates of capitalism and the contribution of the classical writers like Adam Smith and others in the formulation of these postulates. This shows that majority of the classical economists laid a solid foundation for laissez faire capitalism on the basis of harmony of interests of the individual and of the society. This is followed by socialist attack against capitalism, especially on the ground that increased production under capitalism does not solve the problem of distribution. Beginning with the utopian socialists' criticism which emphasised the evils of individualism, the author has concentrated his attention on Karl Marx who tried to dig the grave of capitalism by showing how the capitalist economy changing by virtue of inherent logic changes its entire economic and social framework and in effect destroys itself. The author finds that though Marx was wrong in regard to many technical points such as the labour theory of value and so on, he succeeded in raising powerful challenge to capitalism. The fact remains that since the publication of Das Capital of Karl Marx, capitalism everywhere is on the defensive.

nature of capitalism

The author then analyses the economics of Keynes who successfully related academic economics to the economics of government and by his prescriptions of cheap money policy and public works not only changed the nature of capitalism but improved the working of the capitalist system. The author proceeds to examine the actual working of capitalism in the USA and shows how American capitalism has improved and weathered many storms due to developments such as emergence of democracy of countervailing power, development of new technology and so on. At the same time the author has shown that though capitalism has made tremendous progress in respect of sustained ecomic growth, the system is beset with some fundamental weaknesses which cannot be corrected with only marginal adjustments. The author believes that a fundamental change in the value system is necessary, if capitalism is to be made fit for really civilised and cultured society.

The author then examines the economics of socialism. He analyses the economic justification for socialism along with the objectives, scope for nationalisation and management of public enterprises. He has argued that "even though capitalism has changed a great deal in recent years, it can not replace socialism particularly for establishing an egalitarian society. "He has also shown that socialism can establish an efficient system of economic organisation for increasing productivity of the economy. In this connection the author has examined the most controversial problem of allocation of resources and has pointed out that productive resources can be effectively allocated under socialism without sacrificing much of economic freedom. Market socialism that has been gradually evolved in Yugoslavia clearly shows that socialism can be organised with a considerable degree of individual freedom, with decentralisation, price mechanism and with appropriate incentives to employees avoiding at the same time certain fundamental structural weaknesses of capitalism.

planned economy

After this the author has made an attempt to examine the implications of planned economy, along with the economic organisation of the Soviet Union. The Soviet planners based their planning on the following postulates: first, without centralised planning there would be no comparable rates of growth; second, without extensive social ownership, no effective centralised planning would be possible; and third, without thoroughing modernisation and concentration of production in the wake of rapid economic growth, both planning and social ownership would lack basis and would eventually be subverted from within or destroyed from without. On account of this, Soviet Union brought about extreme concentration of economic management which helped its political authority to enforce its decisions. But the author is quick to point out that even though concentration helped to bring about rapid structural changes in the Soviet economy, it failed to facilitate the optimal use of the available resources and also faced the difficulty of linking the preference of the consumers to the product mix decided by the planners. The author's forecast is that Soviet economy may accept some of the basic tenets of the market socialism of Yugoslavia to ensure maximum production, economic freedom and social justice.

In the last two chapters the author has discussed the planning techniques, socialist objectives and economic organisation of India. His view is that India does not view

socialism in a dogmatic way. It broadly aims at economic growth along egalitarian and democratic lines. But it is observed that the strategy of growth adopted had neither increased the pace of economic development nor succeeded in distributing the gains of development equitably, four out of every ten people living below the poverty line. The author ends by emphasing that no economic system can fulfil the aspirations of the people unless its economic aspects of development are closely linked with social objectives.

The author has combined in an excellent way the analysis of economic theory and various economic practices followed in different countries. In this small book he has packed a considerable amount of information, combining brevity with clarity. The book gives very satisfactorily the actual working of both the economic system. Though it is very difficult to fully conceal one's predilections while discussing problems of different economic systems, the author has succeeded in maintaining a fair amount of objectivity so that the readers get a fairly comprehensive picture of the working of both the systems. In some Indian universities students have to study the problems of economic systems and there is no doubt that those students as also the general readers will get good introduction to the subject in this book which carries a low price incidently is an added attraction in these days of rising prices of books.

SCIENCE AND MAN

Once in way the reader comes accross a book that completely changes his attitude and his conventional scheme of values and makes him think along new lines or shows new directions of which he was only vaguely aware. This book *Science and the Human Condition in India and Pakistan* belongs to that category. This excellently edited book which is a collection of essays convincingly proves why science will have to be given an extremely important place in the lives of the people of India and Pakistan. Science alone can remove their poverty and ensure them those things which people need for richer and happier life. "Through science nations can peacefully gain those material benefits which they have sought fruitlessly to acquire through war."

In the introduction the editor Ward Morehouse has emphasised that the central problem confronting mankind at present is the widening gap between the rich and the poor nations. What is heartening is that to narrow down this gap between the two. "It does not require one additional scientific discovery... It depends on the spread of the scientific revolution all over the world." "There is thus every reason for developing societies to cultivate scientific endeavour. It is this scientific attitude in every field that will develop "the unfettered, flexible, empirical view so essential to their growth and indeed to their very survival as independent states.."

historical context

The first part of the book contains essays on the social and historical context of science in South Asia. Asoka Mehta writes that India is basically a traditional society. The greatest bane of a traditional society is its frustrating denial of scientific attitude. According to Mehta one sure way of breaking the traditional closed circuit is to inject it with an ample measure of science. He is of the opinion that the Indian society is in a state of political, economic and social transformation and its full transformation is only a matter of time. That the government of India has placed great emphasis on science is evident from its science policy enunciated in March 1958. During the period of three Plans, India has taken significant steps to implement the policy. And yet India has to go a long way and the proportion of expenditure on research and development expressed as a percentage of gross national product is only about ¼ of one per cent as compared with 3 per cent of the USA, 2.5 per cent of the UK and Soviet Union and 1.5 per cent of Japan.

Ainslie T. Embree has raised a very fundamental question: Can science as understood in the west find a home in Indian civilisation. He has put foward the thesis that "Hindu civilisation... of all the great world cultures.. is in fact the least absorptive and the least eclectic, and the truly astonishing factor in Indian civilisation is the endurance and persistence of its style and pattern. "Hindu thought at its most profound level refuses to be concerned with insight and values from outside its own cultural context. All along Indians talk of the synthesis of different cultures in Indian civilisation. The author is however of the opinion that Indian culture which is a universe in itself, is least tolerant and what has taken place is not 'synthesis' but 'encapsulation'. The author concludes: "The scientific and cultural impact of the modern world may indeed transform it (Indian civilisation and culture). However, the process may be marked not by synthesis, but by erosion and delay of the traditional values and ideals of Indian culture. "There is no doubt that our planners' attitude in regard to modernisation of Indian society is characterised by wistful optimism and that there are more fundamental issues at stake than they perceive or are prepared to admit and face.

In his excellent eassay on historical and social factors in the development of sciences in India, A. Rahman points out that science in India has developed "without the appreciation of a new intellectual and philosophical framework, without a continuing dialogue with social thinking and without an effort to evolve a viable tradition by rejecting medieval and ancient religious philosophies and ideas. Lacking the support of an extensive industrial and technological movement, it has become isolated and almost totally dependent on the government. In other words, science did not develop as a widespread intellectual and social movement, changing the very character of Indian society." How true! The important policy implication of this analysis is still more significant. There remains the task of evolving a scientific tradition of linking ancient, medieval and modern scientific thought and of creating a set of national values around which ideas can be crystallised and possibilities of further development organised. This is the problem confronting science in India today and in fact in all the developing countries. This is an immensely difficult task as compared with merely opening a chain of national laboratories in the country.

growth of education

Part 2 concerns scientific education and research. B.R. Seshachar in his essay has made an attempt to explore a few of the many problems of scientific training and research in Indian universities. He has referred to problems such as rapid growth of Indian universities in recent years, advanced training in science and tools required, teachers' training for schools, administration of universities and the role of universities in developing scientific temper in the country. He has concluded that Indian universities must be improved for they alone can discharge the function of teaching which no other agency can. H.E. Hoelscher in his essay on industrialisation and technology has pointed out that there are many problems attendant upon industrialisation of developing countries. Personnel to guide development, appropriate technology and related needs, management and administrative structure of the country are but a few problems which developing countries will have to solve. The need for and the encouragement of the entrepreneur, the development of supporting labour, the entire educational system and is in particular engineering programmes throughout the universities, communications between industrial engineering leadership and the university faculties must also receive due attention. In India all these problems must be considered against the backdrop of a five thousand-year-old culture that is structurally and philosophically different from that of the west. But according to the author, the future need not be viewed

with pessimism if without insisting on prestigious schemes, we think in terms of industrialisation through appropriate existing techniques used in their proper context with the consideration for the economy and total structure of the country.

Writing about advanced scientific research in developing countries, Abdus Salam has emphasised the personal problems of the advanced research element. He believes that in such countries the personal element counts much more than the institutional. He feels that if through meaningful international and national action, we can build the morale of the active research worker and persuade him not to make himself an exile, we will have won the real battle.

Part 3 deals with problems of government, science and national development. Late Mr Vikram Sarabhai has emphasised that government's science policy should find appropriate answers to the following six questions: What is the most appropriate way to take science to industry? How should centres of scientific research and development be created in new fields? What are the appropriate practices for government in the field of science? How should expenditure on research be viewed — as overhead or investment? What is meant by planning research? What can government do to implement change through the application of science and technology?

wasted investment

Mahbub UL Haq has written an extremely provocative essay on wasted investment in scientific research. He feels that there is in developing countries the error of overspecialisation. Secondly, there is the error of inappropriate applied research. Third, a common fallacious belief among scientists is that the most modern technology is also the most appropriate for their own countries. The author is of the opinion that there is something fundamentally wrong with the planning and programming. "Scientists are not deriving priorities from the basic and overriding growth-rate objectives of their societies. Ideally an estimate should be made of the kinds of skills the country requires over the long run in various broad categories as well as in certain specific ones. Then a comprehensive manpower plan should be prepared to utilise those skills."

C.H.G. Oldham believes that there is no theoretical framework that can guide developing countries on how to invest in science to maximise economic growth. However, he has put forward a tentative plan for this. First, it is important to collect statistics on all scientific and technical activities and personnel in the country. Second task is to assess the research needs of the country. Thirdly an attempt should then be made to determine the most appropriate techniques for the particular situation in a given country. Fourthly, this should be followed by an analysis of the ways in which existing resources of manpower and facilities as found in the initial survey can be matched with those requirements for research and development that are subsequently identified. The fifth step is to formulate policies to help close the gap. And the final step consists of putting into effect all the recommendations and policies formulated in the earlier stages. This provides an extremely useful framework in which to formulate scientific and technological policies that relate science and technology to economic development.

human resources

Part 4 of the book has also some interesting essays. Rager Revelle has written an excellent essay on the development of human and natural resources. He lays emphasis on agricultural education as also training of specialists in human nutrition and food technology. Carl E. Taylor has emphasised the importance of health sciences and how they can be spread to villages in India. There are also well-thoughtout essays on agricultural practices in Asia, development of marine fisheries, irrigation planning and water resources development.

In part 5 Stevan Dedijer has pointed out that "A national will to develop is the first requisite if the good life is to be realised. Bacon wrote more than 350 years ago that "Science is power "; but it is only during the last two decades that countries like India and Pakistan are realising the true meaning of that statement. Future of India will depend on the manner and extent of the use that we make of science and technology.

It is truly a remarkable book. Our political leaders, academicians and bureaucrats who have all got stuck up in the rut or conventional way of thinking would do well to read and re-read the book and ponder over the wisdom and practical suggestions which the essays by eminent thinkers in this book contain.

PUBLIC EXPENDITURE

With public expenditure continually mounting both on conventional account and for meeting development needs, it is high time that special emphasis is placed on the theory of public expenditure. At present whatever material on the subject exists is spread over a larger number of books. T. Mathew has made a fairly successful attempt in this book *Economics of Public Expenditure*, to bring that material from several books on the theory of public expenditure together and present it in a cogent way. This is indeed commendable service to the subject of public finance and to the student world.

The author begins by analysing the objectives of public expenditure. The major areas into which these objectives are usually classified are: allocation of resources, stabilisation of price level, proper distribution of the national product and attainment of satisfactory rate of growth of the economy. The author has given specially detailed consideration to the objective of price stabilisation as the efficient performance of the economy would be greatly hampered in the absence of price stability.

In the second part, the author discusses the theories of public expenditure as they relate to the provision of public goods and to the initiation and acceleration of the process of economic development. In this connection the author has analysed various issues such as the interrelationship between the private sector and the public sector in a mixed economy, the relevance of Galbraith's theory of social balance to the other theories of public expenditure such as those of Adolph Wagner and others, theoretical formulations developed by Peacock and Wiseman, investment criteria and problems of planning in a socialist economy, including the the cost-benefit analysis on which enormous literature is being produced in view of increasing public investment.

There is nothing original or even remarkable in all this treatment, nor does Prof. Mathew claim any credit on that account. And yet the author has rendered great service to the student world by bringing together a considerable amount of information to seek which the students normally will have to refer to half a dozen books if not more. The language is simple and analysis lucid and therefore easily within the comprehension of an average student of economics.

NEW GOALS

Making Of India's Foreign Policy is one of those remarkable books which the reader comes across very rarely. It has all the qualities of a good book — uncommon subject, lucid style and ability to hold the attention of the reader. Not only the book does not tire but one feels sorry when the book ends!

Foreign policy of a country is a glamorous subject. But generally very little attention is paid to the more fundamental problem of the making of foreign policy. "The study of the basic determinants, political and administrative institutions, domestic processes and personalities involved in the making of foreign policy has

generally been largely ignored not only by politicians and journalists, but even by scholars specialising in Indian foreign policy. "Since not a single book exists on the subject of making of foreign policy in India, the author has rendered a great service by successfully filling up the gap. The fact that the author is not only at present teaching the subject but also once belonged to the Indian Foreign Service has given him, along with academic objectivity, a certain amount of insight into the subject. He has therefore handled the subject with great amount of confidence and authority.

According to the author, "The formulation of foreign policy is essentially an exercise in the choice of ends and means on the part of a nation-state in an international setting. "What are the ends of a nation's foreign policy? In a very general way this end can be nothing else than the national interests which in simple and concrete terms means security (internal and external as also short term and long term), national development and world order. Diplomacy (military, political, economic and cultural) can be a very effective means of realising the above objectives of a nation.

What are the basic determinants of foreign policy of a nation? According to the author the important basic determinants are: (1) geography (location, size, topography such as the existence of the Himalayas on the north and the Indian Ocean on the south in the case of India), (2) economic development (population, natural resources, technology, pattern of growth, foreign aid and trade, role of the state and ideology of economic development), (3) political tradition, (4) domestic milieu (the nature of ruling elite, civil and military administration, state building, political, economic and cultural environment and party structure) and (5) international milieu (such as big power politics, nuclear weapons, emergence of Asia and Africa, rise of Pakistan, China and Japan in Asia and the emergence of the UNO etc.). The author has very critically analysed the impact of these five determinants in the case of the evolution of India's foreign policy.

While the above determinants constitute the boundary conditions within which decision-making in foreign policy must take place, according to the author "the rationality or otherwise of a foreign policy depends largely on the process of decision making at various levels: on the nature and extent of articulate public opinion on foreign policy and the manner of its expression, the institutions of the political parties concerned with foreign policy, pressure groups, Parliament, the Foreign Office, the Foreign Minister, and finally the cabinet." The author has analysed the operation of all these factors with reference to Indian conditions. As regards public opinion, people in India have vague ideas regarding foreign policy imbibed from interested political parties during elections. According to the author, this can hardly be a satisfactory basis for the effective influence of public opinion on the making of foreign policy.

As regards party institutions, the author has analysed the general influence of dian political parties on the formulation of foreign policy in India. As regards pressure groups, the author has anaylsed the operation of business interests, armed forces, civil servants, trade unions and big power lobbies such as the American lobby and other foreign lobbies. He than analyses the influence of Indian Parliament and the cabinet on the making of foreign policy. He has shown that from the time of India's independence up to the present day, the cabinet in India has not functioned as the highest and collective decision-making authority in regard to foreign policy. There has always been concentration of decision-making authority in the Prime Minister during the Nehru era and



to a small extent in the Foreign Minister during the post-Nehru era which is bound to militate against rationality in the making of foreign policy.

The author has then given an elaborate analysis of the Ministry of External Affairs. The details regarding the structure, organisation, reporting, processing and advising are very informative. The author has explained how political, economic, military and cultural diplomacy comes to be formulated in this ministry. He also explains how intelligence gathered and propaganda conducted. The author has devoted a full chapter to the Foreign Minister. It is very instructive to know how Nehru's policy got evolved in respect of Kashmir, Tibet, China and Goa. The section on non-alignment is very illuminating. After Nehru the foreign policy seems to be influenced more and more by pragmatism instead of ideology.

If pragmatism means that India must first build up her military and economic strength before she can hope to play a leading or even significant role in world affairs, it would mean that India must remain in the backwaters of world politics until she catches up with the USA and the USSR which may be after a very long time or may be never. Nehru was aware of the absurdity of such an argument and on the basis of idealism, he was able to project India into the forefront of world politics in spite of her economic and military weakness. According to the author abandonment of this idealism and introduction of pragmatism into the making of India's foreign policy has led to a perceptible decline in her international importance in recent years.

This is certainly a unique book, unique in conception, in design and in execution. Readers' appetite is whetted and it is genuinly hoped that J. Bandyopadhyaya will not disappoint them.

Partners in Trade

Trading with the World — Country Profiles: Published by the Indian Institute of Foreign Trade, H-24, Green Park Extension, New Delhi-16; Pp 722; Price Rs 40.

Reviewed by B. Ganapathy Sarma

TREMENDOUS PROGRESS has been made by our country in the field of foreign trade particularly during the last few years. A vast variety of products ranging from the simplest consumer goods to highly sophisticated plant and machinery and technical know-how are now being exported to even industrially advanced countries of the world. Importers and exporters, both established and new entrants, are ceaselessly engaged in exploring markets where they can buy or sell their goods advantageously. The business executives obviously needs a quick reference volume which can give in one cover solid economic and marketing information regarding the leading partners in world trade. The Indian Institute of Foreign Trade's *Trading with the World — Country Profiles* eminently fulfils this purpose and need. In fact encouraged by the enthusiastic response to the first edition of this publication, the Institute has now brought out its revised edition with deeper coverage in respect of both country and information. Keeping in view the expanding requirements of the users in perspective a commendable effort has also been made in this volume to improve the substance and scope of data. Besides carrying the profiles of 100 countries which appeared in the first issue, this volume presents the profiles of nine more countries such as Bangladesh, Bahamas, Barbados, China, India, Ivory Coast, Malta, Qatar and Surinam. Apart from providing such particulars as demographic characteristics, natural resources, and air and shipping connections, each country profile deals with the economic structure, major trade partners, data on principal items of import and export, exchange regulations, import policies, trade agreements, investment opportunities, trade prospects and a host of other valuable data. Tariff concessions offered under GSP have also been spotlighted. A map of each country too has been added with advantage. An attempt has also been made in analysing in depth the commodity structure and overall pattern of each country's trade with India. In brief this handy compendium giving authentic, comprehensive and up-to-date information on all aspects of trade will doubtless be an invaluable and indispensable book of reference to trading organisations, chambers of commerce, export promotion officials and enterpreneur in general and to those engaged in import-export trade in particular.

Books Received

Participative Management: The Indian Experience: K.C. Alexander; Shri Ram Centre for Industrial Relations and Human Resources, 5 Pusa Road, New Delhi-5; Pp 132; Price Rs 20.

Take Overs: Their Relevance to the Stock Market and the Theory of the Firm: Ajit Singh; Cambridge University press; Pp 174; £ 4 net in UK; Available in India from Blackie & Son (India) Ltd, 103/5, Walchand Hirachand Marg, Post Box 21, Bombay-1.

The Decline of Inland Bills of Exchange in the London Money: 1855-1913: Shizuya Nishimura; Cambridge University Press; Pp 134; Price £ 3.80 net in UK; Avaiqable in India from Blackie & Son (India) Lt, Post Box 21, Bombay-1.

Selected Essays on the Dynamics of the Capitalist Economy: 1933-1970: M. Kalecki; Cambridge Univers ty Press; Pp 198; £ 2.40 net in UK: Available in India from Blackie & Son (India) Ltd., Post Box 21, Bombay-1.

Muslim Merchants: The Economic Behaviour of an Indian Muslim Community: Mattison Mines; Shri Ram Centre for Industrial Relations and Himan Resources; Pp 136; Price Rs 20.

Economic and Managerial Environment in India: Dr Surinder P.S. Pruthi; Progressive Corporation Private Ltd; Pp 262; Price Rs 22.50.

Control Practices in Indian Industry: Mahendra Dave and Guruprasad Murthy; Bombay University; Pp 157; Price Rs 10.50.

Essays in Planning and Growth: J.J. Anjaria; Vora and Co. Publishers Private Ltd; Pp 181; Price Rs 15.

Structure of Financial Institutions: V.V. Bhatt; Vora and Co. Publishers Private Ltd; Pp 198; Price Rs 20.

Balanced Regional Development: Concepts, Strategy and Case Studies: Editor T.B. Lahiri; Oxford and IBH Publishing Co; Pp 154; Price Rs 18.

Focus on West Bengal: Problems and Propects: Published by Arghya Kusum Datta Gupta on behalf of Samatat Prakashan, 5/1/B, Deshariya Park East, Calcutta 29, Distributors: Oxford Book Stationary Co., 17, Park Street, Calcutta 16; Pp 207; Deluxe Rs 30.00; Popular Rs 20.00.

Production and Consumption of Fertilisers (Annual Review): 1871-72: Published by the Fertiliser Association of India, Jawaharlal Nehru University, New Delhi 57; Pp 167; Price Rs 5.

Indicators of Development with Reference to Mysore's Economy: Dr K. Puttaswamaiah; Directorate of Evaluation and Manpower, Planning Department, Vidhana Soudha, Bangalore: Pp 86.

Keynes and Post Keynes (A Survey of Monetary Economics): Dr R.D. Gupta; S. Nagin & Co., Partap Road, Jullundur City-1; Pp 824, Price Rs 25.

The Agony of West Bengal (A study in; Union-State Relations): Ranajit Roy New Age Publishers Private Ltd, 12, Bankim Chatterjee Street, Calcutta-12; Pp 170; Price Rs 19.50.

International Liquidity: R.D. Gupta; S. Chand & Co. Pvt Ltd., Ram Nagar, New Delhi 55; Pp 385; Price Rs 35.

TRADE WINDS

ESSO's New Offer

AFTER waiting for nearly 30 months for union government's decision on its offer of March, 1970, to merge all its operations in India into a single company in which the state could have 51 per cent share, ESSO India has recently submitted a two-point revised proposal for the consideration of the government on the future operations of this oil company. Under the revised proposal, the state can have even 74 per cent share in the proposed joint venture: Esso would be content with only 26 per cent share, which under the companies Act would safeguard its interest on vital matters as in the case of any other joint venture. In the new company will be merged not only Esso's refinery at Trombay and its marketing organisation, but also the share of Esso in Lube India Ltd, which is a 50:50 partnership between the government of India and Esso Standard. The management of the new company would be by a board of directors on which the government and Esso would have representation proportionate to their hodings in the equity.

Esso would surrender its refinery agreement, which is due to expire only in 1979. It has also offered to give up all rights for the supply of crude oil to the refinery. The government would be free to import crude from any sources t wishes. This is a major concession on the part of Esso. While under the refinery agreement, it is entitled to bring in rude for its Trombay refinery rom its own sources at competitive prices, under the March, 970, proposal it desired that rude supplies could be obtained through international tenders and it was to be provided an opportunity to match the lowest bid. According to the revised proposal, Esso is just asking for an opportunity to bid on crude supply tenders as is the case of any other supplier conducting his business on commercial terms. The lowest bidder would get the total business. Esso would have no preferential rights or obligations whatsoever.

No guarantees have been asked by Esso in respect of the future growth of the new company's operations; the government would be free to determine what role the new company would play in the oil industry of India.

In case even the above proposal is not acceptable to the government, Esso has offered to sell out all its business interests in the country to the government at a negotiated price. Esso believes that this would be a better course for the government to adopt if it wants to nationalise the operations of the company — all the unpleasant problems flowing from nationalisation, such as litigation on compensation payable, etc., would be obviated if the government buys over Esso's business at a negotiated price.

In both the alternatives, Esso, of course, has asked that its employees would continue in the service of the new company. Esso, it is learnt, would also ask for some payment for goodwill if its business is taken over by the government at a negotiated price.

Explaining the two-point proposal to newsmen here last week and stressing the need for an early decision on it by the government, the General Manager of Esso India, Mr A.G. Neff, observed that the offer would facilitate the full use of the existing refining capacity, resulting in valuable foreign exchange savings both through saving in investment cost and importing of crude instead of finished petroleum products.

Burmah Shell's Proposal

Burmah Shell too has revised its offer to the government for participation in its operations. It is now prepared to part with 51 per cent interest in favour of government of India in its refining and marketing operations in the country. If the proposal is accepted, it would abrogate its refinery agreement and also relinquish the right to import crude oil from its own sources. It, however, wants that when global tenders are called by the proposed joint venture, it should be given an opportunity to match the lowest bid. If it does so, it should be given preference for supplying crude oil. Another ridder to Burmah Shell's offer is understood to be its insistence on the regularisation of the present idle capacity of its refinery.

Giving his reaction to Esso's offer, the union Minister for Petroleum and Chemicals, Mr H.R. Gokhale stated in Madras recently that the proposal, which was submitted on October 5, 1972, was being actively considered. The government could not take a decision on it in a few days as all the aspects of the proposal had to be thoroughly gone through. In reply to a question at his meeting with newsmen Mr Neff observed that if the government did not take any decision on his company's offer, it would have to "limp along" till 1979 when the existing refinery agreement expires.

Colombo Plan Conference

The union Finance Minister, Mr Y.B. Chavan, is leading the Indian Ministerial Delegation to the meeting of the Consultative Committee of the Colombo Plan being held in New Delhi from October 30 to November 8. There are four alternate leaders. They are: Mr I.K. Gujral, Minister of State for Information and Broadcasting; Mr K.R. Ganesh, Minister of Revenue and Expenditure; Mr Surendra Pal Singh, Deputy Minister for External Affairs; and Mrs Sushila Rohatgi, Deputy Finance Minister. The members of the Ministerial delegation include Mr T.N. Kaul, Foreign Secretary, and Dr I.G. Patel, Secretary for Economic Affairs, Ministry of Finance. The official delegation to the Colombo Plan meeting is be led by Mr M.G. Kaul, Additional Secretary, Department of Economic Affairs, Ministry of Finance. The delegation of officials includes Mr H.J. D'Penha, Principal Information officer, Press Information Bureau, who will be representing India at the Colombo Plan Information Officers' Conference to be held concurrently with the Consultative Committee meeting. The Prime Minister will inaugurate the meeting of the Consultative Committee on November 6 at Vigyan Bhawan. Meetings of officials began on October 30.

Statis Voltage Regulator

Mr C. Subramaniam, Minister of Industrial Development and Science and Technology, formally handed over a set of statis voltage regulator to Delhi Electric Supply Undertaking at Indraprastha Power station, Indraprashtha Estate, New Delhi on October 26, 1972. Dr. K.L. Rao, Minister for Irrigation and Power, received the set on behalf of Delhi Electric Supply Undertaking. The set has been indigenously developed by Research and Development Organisation for electrical industry.

Cenus Centenary

Inaugurating the Indian Census Centenary Seminar, the Finance Minister, Mr Y.B. Chavan, stated that there was need for an immediate check on the increasing growth rate of population if the living

conditions of the vast majority of the people are to be improved in a short span of time. He added that population problem in this country is multi-dimensional and we have launched programmes of economic planning and family planning simultaneously in the interest of rapid progress. This country is wedded to democratic ideals and so there is no compulsion with regard to fertility control. The government's involvement is one of spreading knowledge and providing facilities so that people may gradually adopt the small family norm. The Finance Minister pointed out that population occupies a central place in all socio-economic planning. It was appropriate, he added, that the United Nations has decided to observe 1974 as World Population Year to focus attention on the importance of population as the key factor in development.

Asia 72

Aerial Spray for Agriculture

Transavia Corporation Pty. Ltd of Sydney designed the Airtruk to replace the existing aircrafts being used for aerial agriculture. The Airtruk is on show at the Australian pavilion at Asia 72. The aircraft can distibute more tonnage at lower operating cost and cover a larger area in less time than any other aircraft of similar size and power. It has many unique design features. It can also be converted into a light passenger aircraft.

Output of Scooter

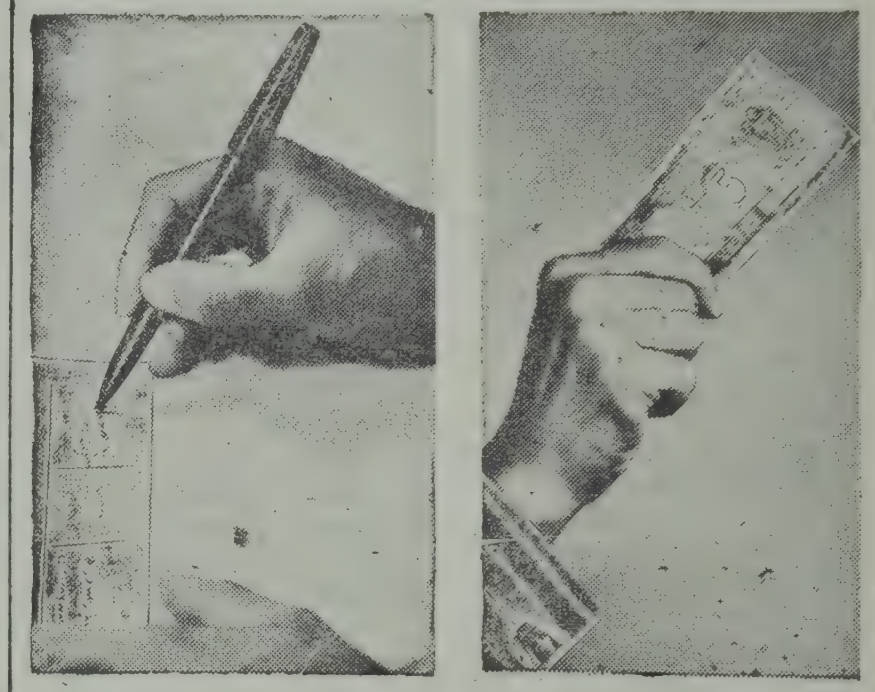
With the acute shortage of scooters and motor-cycles in the country, the union government has decided to permit the existing manufacturers—Lambratta and Bajaj (formerly Vespa) to double their production. The unit producing Rajdoot scooters has also been allowed to double its annual production from 12,000 to 24,000. All other firms manufacturing motor-cycles and mopeds, which had applied for expansion have been given the permission. This was stated by Mr C. Subramaniam, Minister for Industrial Development, at a meeting of Parliament's Consultative Committee for his ministry. A number of new entrepreneurs have also been given licences to manufacture scooters. Among them are a unit sponsored by the Gujrat State Industrial Corporation for the production of 24,000 scooters and another by the Kerala State Industiial Corporation with a capacity of 6,000 scooters. The prototype of the Gurarat unit has been approved and the factory is ready to go into production. In the joint sector project for the manufacture of Lambret ta scooters near Lucknow, which will be the biggest project with a capacity to produce 100,000 scooters, it was stated that the plant and machinery would start arriving by December and the construction of buildings and installation of equipment would be completed by the end of 1974. Certain dies required for the manufacture of export models of scooters have been air-freighted so that the manufacture of scooters for export could be taken up immediately with the existing facilities of the Lambretta unit at Bombay.

New Lighthouses

Thirty-seven schemes for setting up new lighthouses, improving the existing ones and providing modern navigational aids on the East and West coast of India, were approved for inclusion in the fifth five-year Plan by the Central Advisroy Committee for Lighthouses, which met recently. Mr M.G. Pimputkar, Secretary, Ministry of Shipping and Transport, presided. This was the first meeting of the newly constituted 16-member committee which includes, among others, Messrs K.K. Shetty and S.G. Sardesai, both Members of Parliament, Cdre S.L. Kapoor, Director General of Lighthouses and Lightships, Capt. S.L. Frazer, Chief Hydrographer, and Capt. M.S. Patel, Nautical Adviser. The schemes include nine new lighthouses—three in the Andaman and Nicobar region, three in Andhra Pradesh, two in Gujarat and one in Mysore state. The total cost of 37 schemes would be of the order of 8.96 crores.

Stress on Employment

A massive and all-absorbing programme for employment should, for at least a decade, be the single point strategy for Indian social justice" said Mr E.P.W. da Costa in New Delhi recently while delivering the seventh A.D. Shroff Memorial Lecture on "Economic growth and social justice: challenge and response". The absolute priority given to employment implied the subjection of every other conflicting ambition, except possibly the pursuit of higher rate of growth which is a basic condition of ultimate victory, he added. This country, he said, should strive for a minimum



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annual growth rate of eight per cent, with at least six per cent growth in foodgrains to secure food resources to finance in a non-inflationary manner rural works of the average under Rs 1,250 crores per year. There is no evidence that we are providing or could provide with current projects, anything more than three million jobs a year. A total restructuring of projects is, therefore, required, be pointed out.

Mathura Refinery

The six-million tonnes northwest refinery, proposed to be set up in the public sector at Mathura, is expected to produce every year about 0.5 million tonnes of motor spirit, 0.4 million tonnes of naphtha, 1.7 million tonnes of high speed diesel oil, 1.6 million tonnes of kerosene oils, 90,000 tonnes of light diesel oil, 0.8 million tonnes of furnace oil (including fertiliser feedstocks), 50,000 tonnes of liquefied petroleum gas and 0.3 million tonnes of bitumen.

The project, which is to be executed by Indian Oil Corporation, will be designed by Engineers India Ltd, a government of India undertaking, with sufficient flexibility to use one or more of several typical west Asian crudes, including our share in Rustom and Raksh crude oils. The import of crude is proposed to be effected through a single buoy mooring offshore terminal in the Gulf of Kutch, which will be the first offshore terminal in the country. This terminal, with a deep draught, will be capable of receiving some of the largest tankers — upto 300,000 tonnes capacity — and will have adequate protection from weather conditions. The utilisation of large-sized tankers will help in a good deal of saving on ocean freight and transportation costs. A 1200 km pipeline from Salaya will bring imported crude to the refinery site at Mathura. The pipeline will have a diameter of 24-30 inches and on way will also feed the Koyali refinery at Baroda, through a 165 km long branch line.

The entire complex — the refinery, the pipeline, the off-shore terminal and on-shore facilities — is expected to cost Rs 161.15 crores. The foreign exchange component is anticipated around Rs 75 crores, including the cost of steel which is to be imported. The refinery — excluding township — is likely to cost Rs 78.70 crores and the pipeline Rs 74.9 crores. The investment in the off-shore terminal is expected to be Rs 2.9 crores. The on-shore facilities are likely to cost Rs 4.65 crores.

A one million tonnes capacity hydro-cracker, involving sophisticated technology to convert heavy oils into more valuable middle distillates for which there is a large and growing demand in the north-west region, is likely to be provided in the project report. If this provision is made the refinery would produce as much as 57 per cent middle distillates, as against an average of 47 per cent produced by the existing refineries. The Fuel Policy Committee is un-



derstood to have specially recommended increasing resort to hydro-crackers to raise the output of middle distillates in the country. Naphtha from the refinery will meet the feed-stock needs of Kanpur fertilizers. Some supplies may also be made available to Kotah fertilisers. The refinery will produce feed-stock for the Nangal fertilisers factory also.

Science Plan

A Rs 2,500 crores programme for science and technology is being prepared by various groups of about 1,500 scientists working in different fields to promote research and development during the fifth Plan peiod. It is expected to be ready by June next year. The union Minister for Industrial Development, Science and Technology, Mr C. Subramaniam, hopes that following the implementation of this programme, self-reliance in industry would gather a good deal of momentum.

Vitamin-C

Hindustan Antibioitcs is expected to commission the first three stages of its project to manufacture Vitamin-C very shortly. The remaining stages are likely to be commissioned by April next. The capacity of the project is 125 tonnes per annum.

IDA Loan

The International Development Association (IDA), an affiliate of the World Bank, has announced the Group's first operation in this country's educational field — a credit of 12 million dollars to develop two new agricultural universities, the Assam Agricultural University and Rajendra Agricultural University in Bihar. The project, when completed in 1979, will enable the two new universities to consolidate their constituent campuses and to become cohesive and effective institutions. They will be able to produce better trained graduates to contribute to agricultural development in the two states. Assam and Bihar whose population totals 62 million and accounts for 13 per cent of India's population.

Each of the two universities will have two campuses, one for general agriculture and the other for veterinary science. The Assam Agricultural University will have its main campus at Jorhat and its veterinary science faculty at Gauhati. The Rajendra Agricultural University, Bihar will have its main campus at Pusa, Bihar, and the veterinary faculty at Ranchi. The project is expected to be completed by 1979 at a total estimated cost of 19.4 million dollars. The IDA credit will finance the foreign exchange cost totaling 5.2 million dollars plus about half the local costs. The Education Division of ICAR, which has experience in establishing similar universities in other states, will provide overall guidance and supervision of the project. The IDA credit to the union government is for a term of 50 years, including 10 years of grace. It will be interest free, but will



carry a service charge of ¾ of one per cent to meet IDAs' administrative costs.

Belgian Loan to India

An agreement was signed on October 24 in Brussels between India and Belgaium providing for a Belgian non-project loan to this country of 225 million Belgian francs. The agreement was signed by Mr B.R. Patal, Indian Ambassador to Belgium on behalf of the union government and by Prof. A. Vlerick, Belgian Finance Minister and Mr H. Fayat, Belgian Foreign Trade Minister, on behalf of the government of Belgium. The loan is in fulfilment of Belgium's commitment under the Aid India Consortium to give assistance to this country during 1972-73. One-third of the loan (i.e. 75 million Belgian francs) is for debt relief, i.e. to be utilised towards repayment of past obligation falling due during 1972-73. The balance of 150 million Belgian francs is for the purchase of Belgian goods and services. The loan carries an annual interest rate of two per cent and is repayable over thirty years with a grace period of ten years.

Salem Steel

A new company known as "Salem Steel Limited" was incorporated in Madras recently under the Companies Act, 1956, for the implementation of the Salem Special Steels Project in Tamil Nadu. It will own and operate the Salem plant. This is the third steel company to be set up by the union government — the other two being Hindustan Steel Ltd and Bokaro Steel Ltd. The new company will have its headquarters at Salem. To start with, its authorised capital will be Rs 100 crores. The issued capital will be determined from time to time according to requirements. The company will, later on, form a subsidiary of the Holding company being established in the Steel Industry. Mr V. Subramaniam, Managing Director, National Instruments Ltd, Jadavpur, Calcutta, has been selected for appointment as Managing Director of the new company. The principal item of production at Salem will be stainless steel and the capacity in the initial stages will be 70,000 tonnes per year. The plant is being designed to produce in all 195,000 tonnes per year of sheets and strips, comprising 70,000 tonnes of stainless steel, 75,000 tonnes of electrical steel and 50,000 tonnes of other special steels. The total investment is estimated at Rs 340 crores. Production is expected to begin in about three years from now.

Bonus Bill

A Bill will be introduced in the Parliament to replace the Payment of Bonus (Amendment) Ordinance, 1972. While doing so, the union government proposes to make it clear that the comparison between the bonus paid or payable in respect of accounting years 1970-71 and 1971-72, for the purpose of determining the excess amount to be deposited in provident fund accounts of the employees, will be made on the basis of the percentages of salary or wages declared as bonus by the employer and not the amount actually paid to the employees.

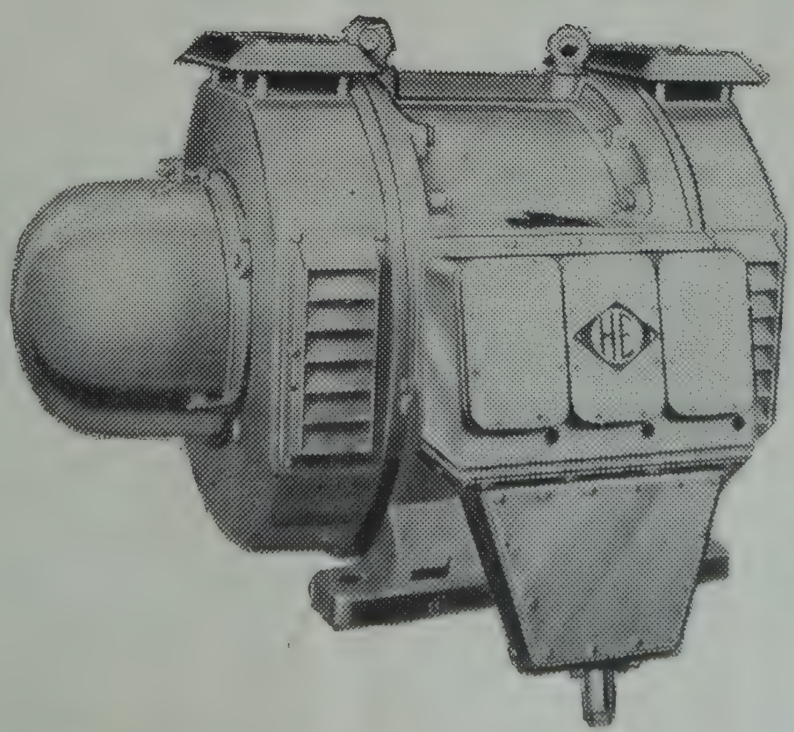
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COMPANY AFFAIRS

Hindustan Motors

MR B.M. Birla, Chairman of Hindustan Motors Ltd., has struck a note of cautious optimism about the future prospects of the company. The production of cars, chassis and trucks, according to the chairman, might have been higher if the company had not experienced power failures, labour troubles and defective equipment of the cast iron foundry, The machinery defects have since been rectified and hence an increased output is anticpated during the current year.

The chairman has attributed the Board's inability to recommend any dividend for the year ended March 31, 1972, due to the steep increase in the company's liabilities after devaluation. The company's borrowings from USAID prior to devalution amounted to only Rs 19.5 crores but after devaluation the repayment liability of the company against USAID loans increased to Rs 29.66 crores towards principal and by about Rs four crores on account of interest.

After adjusting the payment of instalments already made, there remained to be paid a balance of Rs 16.60 crores including Rs 5.20 crores towards instalments due from October 1970 to March 1972. A request was therefore made to USAID to re-schedule the repayments over a longer period proportionately and this is still under consideration. According to the terms of the agreement with USAID dividend cannot be paid by the company without its approval. As regards the recent increase in car prices the chairman remarked that the rise in car prices sanctioned by the government was still inadequate to meet the rising costs of production.

Saurashtra Cement

Saurashtra Cement and Chemical Industries has declared a final equity dividend of eight per cent for the year ended June 30, 1972. This together with the interim dividend of eight per cent makes a total of 16 per cent for 1971-72 as against 12 per cent paid for the preceding year. During the year under review the company earned a lower gross profit of Rs 136.80 lakhs, as compared to Rs 143.05 lakhs in 1970-71. Out of the gross profit, a sum of Rs 54.08 lakhs was allotted to depreciation reserve as compared to Rs 52.67 lakhs in 1970-71 while the allocation to development rebate reserve was reduced by Rs 38.48 lakhs to Rs 4.78 lakhs. The tax liability of Rs 31 lakhs will be paid from the general reserve to which an amount of Rs 68.50 lakhs has been transferred. The provision for taxation in 1970-71 amounted Rs 14.75 lakhs. The interim dividend absorbed Rs 16 lakhs. The proposed final equity dividend and preference dividend will claim Rs 20.75 lakhs and will be paid out of the general reserve. Clinker production was a shade higher at 4.25 lakhs tonnes as compared to 4.12 lakhs tonnes in the preceding year while cement production increased to 4.27 lakh tonnes from 4.16 lakhs tonnes in 1970-71. Cement despatches too improved to 4.39 lakhs tonnes from 4.13 lakhs tonnes. Production and despatches might have substantially higher but for the power cut, poor receipt of coal and gypsum and inadequate supplies of wagons. The comany's plans for diversification have not met with success. Its application for import of soda ash plant from Rumania and for a licence for the manufacture of industrial explosives have been rejected by the government. The management has also given up the idea of setting up a caustic soda project with a capacity of 100 tonnes per day. It has, therefore, been decided to sell the assets of Singach Salt Works which had been developed with the intention of using the industrial salt as a basic raw material for the manufacture of soda ash and caustic soda.

Golden Tobacco

The Golden Tobacco Company Ltd has maintained the equity dividend at 10 per cent on the enlarged capital for the year ended June 30, 1972. The new 15 lakh equity shares issued in March last rank for dividend for a period of three months. The company's turnover during 1971-72 crossed the Rs 40-crore mark and stood at the peak figure of Rs 40.79 crores as compared to Rs 39.60 crores in 1970-71. Its gross profit, however, has declined marginally to Rs 161.60 lakhs from Rs 164.00 lakhs in the preceeding year. Out of the gross profit a sum of Rs 26.22 lakhs was appropriated to depreciation reserve, Rs 79 lakhs towards tax liabilities and Rs 0.62 lakh to development rebate reserve as against Rs 32.12 lakhs, 80.10 lakhs and Rs 0.80 lakh provided respectively in 1970-71. This leaves a net profit of Rs 55.76 lakhs as compared to Rs 51.56 lakhs in the previous year. After adjustments the disposable surplus amounts to Rs 76.08 lakhs. After writing off share issue exenses of Rs 11.95 lakhs, a sum of Rs 64.10 lakhs has been transferred to the general reserve. The proposed dividends will absorb Rs 38.75 lakhs and will be paid out of the general reserve.

Bharat Gears

Bharat Gears Ltd, a new venture promoted jointly by Bharat Steel Tubes Ltd and Raunaq and Co. Private Ltd, is setting up a plant at Thana for the manufacture of spiral level straight level, spur and helical and worm gears with an annual capacity of 1000 tonnes. The main gear manufacturing equipment will be supplied by Gleason Works of the United States who are to day the world's largest producers of this equipment. Orders for other equipments have been finalised with other well-known and reputed manufacturers. Civil construction work has already commenced and the plant is expected to go on stream by December 1973. The total cost of the project is estimated at Rs 4.6 crores which will be financed by the issue of share capital of Rs 1.90 crores and term loans from financial institutions of Rs 2.66 crores. The ICICI, IDBI, IFC, LIC, and UTI have already sanctioned term loans to the tune of Rs 2.66 crores including the foreign exchange loan of Rs 1.46 crores. The financial institutions and some insurance companies have already agreed to underwrite the equity capital of Rs 72 lakhs and the entire preference capital. The promoters have also finalised arrangements for underwriting the rest of the equity capital. The promoters themselves will be investing about Rs 64 lakhs by way of equity capital. The company is scheduled to enter the capital market for the issue of shares to the public by the middle of this month.

MICO

At a meeting of the Board of Directors of Motor Industries Co. Ltd., held on October 25, 1972, an interim dividend for the year 1972 of Rs 10 per Ordinary Share of Rs 100, fully paid up, subject to statutory deduction, was declared payable on December 5, 1972 to members of the company whose names appear on the Register of Members on

December 1, 1972. It was also decided in the above meeting to recommend to shareholders to capitalise Rs 37.5 million out of the general reserve of the company and to issue 375,000 equity shares of Rs 100 each as bonus shares in the proportion of one bonus share for one existing share, subject to the government's sanction. Further, to issue after the above issue of bonus shares, and subject to the government's sanction, 95,588 further equity shares at a premium of Rs 90 each. Of these shares, 48,000 will be reserved for the financial institutions who will exercise their option to convert their debentures out of privately placed debentures of Rs 30 million to be issued to them against a loan of like amount. The balance of 47,588 shares will be issued to shareholders other than Robert Bosch GmbH in the ratio as far as possible of three shares to 20 existing shares. An Extrarodinary General Meeting of the Company for capitalisation of reserves and issue of further shares as above is being convened on November 27, 1972 in Bangalore.

Indian Aluminium

Indian Aluminium Company Ltd has declared a higher interim equity dividend of 75 paise, per share for 1972 as against 66 paise per share paid for 1971. The company paid a final dividend of Rs 1.04 per share for 1971, making a total of Rs 1.70 per share for that year. The higher interim dividend for the current year follows an improvement in the company's performance in the first half of the current year. The dividend will be payable to shareholders on record as on November 2, 1972. The company has also recently received the government's consent to issue bonus shares. The directors have decided to make a bonus issue of ordinary shares to shareholders on record as on December 22, 1972 in the proportion of one new fully-paid equity share for every two fully-paid equity shares held on that date. Holders of partly paid ordinary shares whose calls are in arrears as on December 22, 1972 will not be entitled to participate in the bonus issue. Sales in the first six months of the current year amounted to Rs 21.85 crores which was Rs 2.05 crores higher than in the comparable period of 1971. The significant rise in expenses relating to the start up of the new Rs 15-crore Taloja sheet rolling mill and the 10,000-tonne capacity expansion of the Belgaum smelter together with higher raw material and labour costs have affected the increase in earnings. Profit before taxes and development rebate was higher at Rs 5.03 crores in the first half of 1972 as compared with Rs 4.72 crores in the similar period of last year. Net profit after taxes and provision of Rs 0.62 crore for development rebate reserve amounted to Rs 2.34 crores as against Rs 2.30 crores in the first six months of 1971. The company has recently received an industrial licence for further expasion of the Belgaum smelter from its present level of 40,000 tonnes annual capacity to 60,000 tonnes.

News and Notes

Expansion and Diversification

Hindustan Brown Boveri Ltd has received industrial licences for almost doubling capacities for switchgear and electronic equipment. It has also secured a new industrial licence for additional capacityto manufacture electric arc furnaces of all types up to 56,000 Kw per annum. It is already having a licence for the manufacture of such furnaces up to 24,000 Kw per annum. The company has disposed of its Ghaziabad unit and has also discontinued the production of small size aluminium conductors. Recently the conductor business at Faridabad has also been stoped. The current year's working so far has been fairly satisfactory with turnover matching the corresponding period of last year and profitability even a little higher than the previous year. Larsen and Toubro which already has a four per cent stake in the equity capital of Hindustan Brown Boveri intends to acquire another 23 per cent from Brown Boveri of Switzerland. The proposal is before the union government and if the deals goes through, both L&T and Brown Boveri would be holding 27 per cent each in Hindustan Brown Boveri's equity capital.

New Ventures

BTR Beltings Ltd of Leyland Preston, UK, has joinned hands with **Ronald Steel and Rubber Industries** of Bhopal, Madhya Pradesh, in setting up a project — the first of its kind in the country — to manufacture steel cord conveyor belts. The Madhya Pradesh government is expected to participate actively in this project. Ronald Steel and Rubber Industries has been lincensed to manufacture 72,000 metres of conveyer belts. The BTR — the only manufacturers of steel card belts in the UK — will be providing all the technical know-how and it will also participate in the equity capital of the company besides having two nominees in the board of directors. The construction of this Rs 3-crore project is expected to begin in the first half of 1973 and is likely to go into production in 1975-76, Sales in the beginning are anticipated at Rs 4.50 crores. It will also be earning valuable foreign exchange through exclusive and supplementary exports.

Bhilai Wires is setting up a modern steel plant in the industrial estate of Bhilai with an initial installed capacity of 42,000 tonnes to manufacture several types of wires such as high tensile, medium tensile and mild steel and in various thicknesses. Since the industry has been included in the key sector it will get the required quantities of raw materials. The company will also be saving on transport and other costs since its plant is located at Bhilai which is the supply point of wire rods and the place being ideally suited from the point of view of supply of finished goods. The construction of the building is in an advanced stage. Commercial production is expected to commence by July next year. Production during the year ending June 1974 is estimated at 8,800 tonnes, sales at Rs 2.49 crores, gross profit at Rs 24.56 lakhs and disposable profit at Rs 10.76 lakhs, enabling the company to declare a maiden dividend of 10 per cent for 1973-74. In 1974-75, production is expected to be higher at 12,690 tonnes with sales, gross profit and disposable profit moving up to Rs 3.87 crores Rs 51.63 lakhs and Rs 25.38 lakhs respectively and this will facilitate the company to enhance the dividend to 15 per cent. To raise part of the resources required for the implementation of this Rs 97.50-lakh project the company is expected to enter the capital market sometime in December with a public issue of Rs 31.5 lakhs.

New Issues

Indo-National — a new company promoted in collaboration with the well-known Japanese firm of Matsushita Elecric Industrial Co.— is setting up a Rs 1.63-crore project at Nellore in Andhra Pradesh for the manufacture of 'hyper' and special grade 'hi-top' dry cell batteries. The company has been licensed to manufacture 60 million dry cell batteries a year. The plant is expected to be commissioned some time in July next year. Starting with a production of 20 million dry cells batteries in 1973-74 the company hopes to achieve the full rated capacity in 1975-76. In terms of the agreement with the foreign collaborators the company is required to export five per cent of its total production for a period of five years. The promoters are however hopeful of even much larger exports. Barring unforeseen circumstances the management hopes to declare a maiden dividend of 10 per cent for 1975-76 — the third year since the start up of commercial production. To raise resources the company will be entering the capital market with a public issue of Rs 20.83 lakhs, all in equity shares of Rs 10 each.

Lakhanpal National proposes to set up a dry cell battery plant at Baroda with an annual ca-

pacity of six million batteries. To raise part of the resources required for the implementation of this project the company is entering the capital market with a public issue of 208,334 equity shares of Rs 10 each at par. The present issue is for Rs 23.33 lakhs out of which equity shares worth Rs 2.5 lakhs have been reserved for allotment to Matusushita Electric Ind. Co. Ltd, of Japan against technical knowhow. The capital outlay on the project is estimated at Rs 162.50 lakhs and it will be met by the share capital of Rs 62.50 lakhs and through borrowing of Rs one crore. The plant is expected go on stream by the middle of 1973.

The 5.75 per cent **Industrial Finance Corporation** Bonds 1984 which opened for public subscription as October 23 have been closed on being fully subscribed. All subscribers will be receiving full allotment.

Interim Dividend

The directors of **Union Carbide India Ltd,** have proposed an interim dividend of one rupee per share for 1972 as against 75 paise per share paid in the previous year. The dividend will be paid by Nov. 27, 1972 to those members whose names appear on the register of members as on Nov. 17, 1972.

Licences and Letters of Intent

THE FOLLOWING Licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951 during the four weeks ended July 1, 1972, the list contains the names and addresses of the licences, articles of manufacturers, types of licences vig. New Article (N.A.); New undertaking (N.U.); Substantial Expansion (S.E.); carry on Business (C.O.B.); Shifting and annual installed capaity.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend delcared for	
		Current year	Previous year
Higher dividend			
Star Paper Mills	March 31, 1972	10.0	Nil
Sri Krishnarajendra Mills	March 31, 1972	8.0	Nil
Shri Vivekanand Mills	March 31, 1972	8.0	6.8
Shree Bhawani Cotton Mills	June 30, 1972	10.0	5.0
Krilampudi Sugars	June 30, 1972	6.0	Nil
Same Dividend			
New Victoria Mills	December 31, 1971	Nil	Nil
Ahmedabad Shri Ramakrishna Mills Co.	March 31, 1972	10.8	10.8
Jayshree Chemicals	March 31, 1972	Nil	Nil
Maheshewari Mills	March 31, 1972	Nil	Nil
Sundaram Textiles	March 31, 1972	15.0	15.0
Trichy Distilleries & Chemicals	May 31, 1972	15.0	15.0
A.V. Thomas & Co, (India) Ltd.	June 30, 1972	10.0	10.0
Crompton Greaves	June 30, 1972	10.0	10.0
Neelamelai Tea & Coffee Estates	June 30, 1972	10.0	10.0
Reduced Dividend			
Rajagiri Rubber & Produce Company	June 30, 1972	12.5	13.0

Licences Issued

Metallurgical Industries (Ferrous)

The Bhavnagar Vegeable Products Ltd. Bunder Road, Bhawanagar, Gujarat. (Bunder Road; Bhavanagar-Gujarat)– Tin Containers of 18 litre capacity for captive use only. – 1200 tonnes – (COB); M/s Electro – Steel Castings Ltd., 4 Dalhousie Sqaure, East, Calcutta-1. (Ghaziabad-U.P.) – Steel Wire Rods – 14,000 tonnes – (NA);M/s Hindustan Wires Ltd; 1615, Jawaharlal Nehru Road, Calcutta-13. (B.T. Road-Sodepore, 24-Parganas, W. Bengal) – M.S. Wire Thicker than 18G coated or uncoated – 23,000 tones ; Stainless Steel Wires– 1000 tonnes; Other types of Wires (18G and thinner) – 36,000 tonnes; – After Expansion) – (SE); M/s Jindal Strips (P) Ltd; Delhi Road, Hissar, Haryana. (Hissar – Haryana) – Hot Rolled Skelp & Strips – 15,000 tonnes – (NA); M/s Nitin Castings (P) Ltd., Eastern Express Highway, Thana, Maharashtra. (Thana-Maharashtra) – Alloy Steel Castings – 1200 tonnes (After Expansion) – (SE); M/s Andhra Steel Corpn. Ltd., P-33, India Exchange Place, Calcutta-I. (Bangalore-Mysore) – Exchange Place, Calcutta-1. (Bangalore - Mysore). Mild Steel Billets – 50,000 tonnes (NU);

Metallurgical Industries (Non-Ferrous)

M/s Bihar Cable Company, Kadam Kuan, Patna. (Kadam Kuan-Patna-Bihar) – Brass Wires – 175 tonnes– (COB); M/s Arim Metal Industries Pvt. Ltd; 23, Convent Road, Calcutta-14. (Calcutta-West Bengal) – Copper Anodes – 40 tonnes, Zinc Anodes; – 15 tonnes ; Aluminium Alloys Anodes – 12 tonnes; Antimonial Lead Anodes – 6 tonnes; Cadmium Anodes – 0.5 tonnes; Lead Tin Anodes – 0.5 tonnes – Tin Anodes– 0.05 tonnes. (COB); Indian Metal & Metallurgical Corpn., 498, Mint Road, Madras -3. (Mint Street, Madras-Tamil Nadu) – Brass Sheets & Circles – 400 tonnes – (COB).

Electrical Equipment

M/s EMA India Induction Heating Co. (P) Ltd., 4-Industrial Area, Govindnagar, Kanpur-6. (Kanpur-UP) – Medium Frequency Induction Heating equipment – 20 complete Units valued at Rs 70.00 lakhs– (NU); Shri Ajay Kumar Jain, Shree Ram Buildings, Jawahar Nagar, Delhi-7. (Faridabad-Haryana) – Motor Stampings – 1,500 M.T.; Transformers Laminations – 500 M.T. – (NU); M/s Delton Cable Industries Pvt. Ltd; Delton House, 24, Darya Ganj, Delhi-6. (Delhi/Haryana (Faridabad) – Capacity at Faridabad: Special Types of PVC insulated cables and wires including switch board cables and wires of sizes as per ITI/ITD/ISI specifications, single wire diameter, not exceeding 0.9 mm, cordages including telephone cordages including telephone cordages both textile braided and PVC coiled, silicon flexible wires and Nyvin type flexible cables for aircraft. – 106 million core meters; After effecting the change of location the Industrial Undertaking at Delhi will be left with the following capacity: Special types of PVC insulated cables and wires including switch board cables and wires of sizes as per ITI/ITD/ISI specifications, single wire diameter not exceeding 0.9 mm cordages including telephone cordages both textile braided and PVC coiled, silicon flexible wires and Nyvin type flexible cables for aircraft – 14 million core meters – (Shifting); M/s Larsen & Toubro Ltd; Gulab Bhavan (2nd Floor), 6, Bahadur Shah Zafar Marg, New Delhi. (Maharashtra) – Control Contactors 4/6A – 100, 000 nos.; Contactors 16A to 150A – 84,200 nos; Contactors above 150A upto 250A – 800

nos; Overload Protectors for small motors – 50,000 nos; Motor Control Accessories single phasing preventors timers and voltage boosters – 50,000 nos; Industrial type heavy duty fuse switches 250A to 1000A – 5000 nos – (NA).

Transportation

M/s Standard Gears (P) Ltd; Tractor House, Near Vishwamitri station, Baroda. (Baroda-Gujarat) – Gears and Splined shafts – 2660 tonnes – (NU); M/s The Enfield India Ltd; Royal Enfield Buildings, Post Bag No. 5284, Tiruvottiyur, Madras-19. (Tamil Nadu) – Motor Cycles (500 cc, 350 cc and 173 cc) (capacity after expansion) – 27,000 nos, pa only subject to the condition that Motor Cycles of 500 cc will not be produced more than 500 nos. in one year; Scooters (173cc) – 1200 nos. pa; Three Wheelers – 1800 nos. p a.; – (SE); M/s Engine Valves Ltd; 1, Noble Street, P.B. No. 1305, Madras-16. (Madras-Tamil Nadu) – Engine Valves for internal Combustion Engines – 50 lakh nos. (after expansion – (SE); M/s Fritz and Singh Pvt. Ltd; E-29/B, Kailash Colony, New Delhi– 48. (Faridabad-Haryana) – Filter Assemblies – 1,80,000 nos.; p.a. Filter Elements – 20,00000 nos. p.a. – NA); M/s Refrigeration Accessories Ltd; 20-A, Najafgarh Road, New Delhi-15. (Faridabad-Haryana)– High Pressure lines – 80,000 nos. , Pressure tube Fittings – 2,80,000 nos. Pressure House Lines complete with fittings – 40,000 nos., Brass Fittings & Couplings – 40,000 nos.; Steel Fittings & Couplings – 2,20,000 nos; Drain Cocks – 50,000 nos; Radiators Fittings – 1,00,000 nos.; High Duty Push & Pull Controls with Stainless Steel inner wire and galvanised wire casing – 30,000 nos; Air nozzle – 15,00 nos.; Self closing Drum Fauces – 1,000 nos.; Valves — 6,400 nos. pa – (COB); M/s D.Engineering Pvt. Ltd., Gopal Bagh, Avanashi Road, Coimbatore – 18. (Coimbatore – Tamil Nadu) – Single Cylinder Pumps – 48,000 nos.; Multi Cylinder Pumps – 15,000 nos; Elements – 5,00,000 nos; Delivery Valves – 3,00,000 nos; Nozzle Holders – 1,20,00 nos; Nozzles – 5,00,000 nos; – (SE); M/s Associated Engineering Works Ltd., Kashmere Gate, Delhi-6. (Haryana) – Hydraulic Jacks (1½ to 30 tonnes) – 80,000 nos; Shock Absorbers – 1,20,000 nos; – (NU); M/s Wheel & Rim Co. of India Ltd., "Huzur Gardens", Sembiam, Madras-11. (Madras-Tamil Nadu) – Bicycle Rims – 20,00,000 nos. (after expansion; – (SE); M/s Hind Cycles Ltd; 250, Worli, Bombay-25. (Ghaziabad-UP) – Complete Bicycles – 1,62,000 nos; – (COB).

Industrial Machinery

M/s Associated Abrasives (P) Ltd., Western Express Highway, Goregaon (East), Bombay-63. (Nasik-Maharashtra)—Bonded Abrasives— 1,265 tonnes; Coated Abrasives 1,50,000 pieces – (313 reams) (NU); Shri Bashimal Vinood Kumar, 220, Masjit Bunder; Road, Bombay-3. (Nasik-Maharashtra) – Beater Roll Bars & Beater Bed Plates — Rs 15.40 lakhs; Refiners Bars & Assembled Stator – Rs 16.60 lakhs (Total Rs 32.00 lakhs)– (NU); M/s Ravindra Heraeus (P) Ltd., Bank of Baroda Building, Apollo Street, Bombay-1. – (Bombay-Maharashtra) — Precious Metal Spinerets (Reworked)– 65 kg – 3.48 million holes– Rs 28.00 lakhs annual capacity; Precious Metal Spinnerets (Fresh) – 10 Kg – 0.52 million holes Rs 4.00 lakhs annual capacity; Tantalum Spinperets (Fresh) – 30 Kg – 0.4 million holes—Rs 4.00 lakhs annual capacity; Stainless SteelSpinning Plates (Fresh)— 3000 kg 0.4 million holes—Rs 17.00 lakhs annual capacity— Total Rs 53.00 lakhs annual capacity — (NA); M/s Testeel Limited, 'Navdeep', Opposite Akashwani, Ashram Rd; Ahmedabad-14. (Dehgam-Ahmedabacd, Gujarat)—Complete Dairy Plant comprising of among other things, of S.S. Milk Storage Tanks, insulated as well as tin insulated S.S. Vatts, Pasteuriser, Homogenizers, Spray Dryer Plants, Envaporators, Bottling Plants, Ghee Kettle, Butter Churner Milk, Reconstitution Unit. Aluminium Milk Cans, Cream Separators, etc.– Rs 150 lakhs (NA).

Chemicals

M/s Dhrangadhara Chemical Works Ltd., 'Nirmal', 3rd Floor, 241, Backbay Reclamation, Nariman Point, Bombay-1. (Sahupuram-Madras-Tamil Nadu) — Hydrocholoric Acid (100 %) — 39,600 tonnes.— —(NA) M/s Tata Chemicals Ltd; Jeewan Tara, Parliament Street, New Delhi-1. (Mithapur-Gujarat) — Sodium Carbonate Monohydrate — 250 tonnes Hydrocnomic Acid — —50 tonnes, — (COB); Dr Panna Lal Bhatia, 38, Rajindra Park, New Delhi. (Delhi) — Oxygen Gas — 0.45 million (cubic meters)—(NU); M/s Air Reduction Co. Ltd; Kishori Nawas, Birhans Road, Kanpur (UP). (Ghaziabad-UP)– Oxygen Gas – 0.45 million cu. meters. Dissolved Acetylene Gas – 0.10 million qu. meters– (NU); M/s Borax Morarji Ltd; Raj Mahal, 3rd Floor, 84, Veer Nariman Road, Churchgate, Bombay-20. BR. (Ambernath-Thana- Maharashtra) – Borax Anhydrous – 3,000 tonnes – (NA); M/s Hustan Gas Industries (P) Ltd; Silver Cairns, Road No. 12, Banjara Hills, (Hyderabad-Andhra Pradesh) – Hydrogen Gas – 1,20,000 cu. m. Oxygen Gas – 60,000 cu. m. – (NU); M/s Farm Chemicals (P) Ltd; Jigi House, Rave Line Street, Bombay-1. (Baroda-Gujarat) — Formulation based on MSMA/DSMA– 500 tonnes – (NU); M/s Standard Mills Co. Ltd; (Alkali Chemicals Division) Mafatlal House, Backbay Reclamation, Bombay-20. BR – (Bombay-Maharashtra)– Carbon Tetra Chloride – 2100 tonnes Chloroform – 900 tonnes – (NE); M/s Industrial Oxygen Co. Pvt. Ltd., 38-A, Vadgaon Seri, Off: Nagar Road, Poona – 14. (Poona-Maharashtra) – Oxygen Gas – 0.45 million cubic meter, Acetylene Gas – 0.10 million cu. meters– (SE); M/s Travancore-Cochin Chemicals Ltd; P.O. Udyogmandal, Kerala. (Varapuzha-Ernakulam-Kerala) – Sodium Sulphite (Iron free) – 1300 tonnes of 100% concentration or 2100 tonnes of 60-62% concentration– (SE).

Drugs & Pharmaceuticals

M/s Searle (India) Ltd; Ralli House, 21, Raveline Street, Bombay-1. (Maharashtra)– Lamotile Tablets – 84 lakhs tablets; Lamotil Liquids– 900 litres – (COB); M/s Suhrid Geigy Ltd; P.O. Box No. 48, Wadi-Wadi, Baroda. (Gujarat) – Tandril & its formulations – Expansion from 3000 Kgs. to 6000 Kgs– (SE).

Textiles

M/s Himdoot Weaving & Finishing Mills (P) Ltd; 54, Abdul Rehman Street, Bombay-3. (Maharashtra) – Art Silk Fabrics– 26 power looms acquired from M/s New Oriental Mills (P) Ltd; Bombay; The unit will have manufacturing capacity of artisilk/ synthetic fabrics for four lakh meter on three shift basis and processing capacity of 36 lakh meters – (NU); M/s India Jute Co. Ltd; (Cotton Mill Section) 16, Strand Road, Calcutta-1. (Serampore-Hoogly-W. Bengal) – Cotton Yarn — 12,000 spindles — (SE); M/s Shiv Silk Mills, 95, Shalimar 'G' Road, Marine Drive, Bombay-2. (Maharashtra) — Art Silk/Synthetic Fabrics — 64 powerlooms. — (COB).

Sugar

M/s Assam Industrial Development Corpn. Ltd; Fernadale Building, Shillong-I, Assam. (Krishnanagar-Dist: Cachar-Assam) — Sugar — 1250 tonnes of sugarcane per day — (NU).

Fermentation Industries

M/s East Coast Breweries & Distilleries Ltd; 12, Cantonment Road, Cuttack-I. (Paradeep-Dist: Cuttack Orissa)—Beer — 50,000. HL — (NU).

Food Processing Industries

M/s Kanudia Flour Mills, 385-A, Harisganj, Kanpur (UP). (Dulahpur-Varanasi-UP) — Wheat Products — 15,000 tonnes — (SE); M/s Shree Lankeswari Rice Mills,

Bilpar, P.O. & T.O. Silchar, Cachar (Assam). (Bilapur-Silchar-Assam) — Wheat Products — 15,000 tonnes — (NU); M/s Kanpur Bottling Co. Pvt. Ltd., 2, Ring Road, Lajpatnagar, IV, Part-I, New Delhi-24. (Kanpur-UP) — Soft Beverages – Expansion from 44.4 lakh cases to 97.2 lakh cases —(SE); Shri Girin Choudhury, M/s Birjhoa Roller Flour Mills, Ambari, Gauhati-I, Assam. (Bongaigaon-Dist: Goalpara, Assam) — Wheat Products—15,000 tonnes — (NU); M/s Dalmia Dairy Industries, 4, Scindia House New Delhi. (Bharatpur-Rajasthan)—Whole/Skim Milk Powder — 1350 tonnes — (COB); M/s The Jaypore Sugar Co. Ltd., 38, Mount Road, Madras-6. (Thudiyulur-Dist: Coimbatore, Tamil Nadu) — Starch/Glucose/Dxtrose — 50 tonnes per day—(NU).

Rubber Goods

Shri K. Kalappa, M/s Jayesree Tyres (P) Ltd., 4-1-895/2, Tilak Road, Hyderabad-1. (Nachram, Distt: Hyderabad-Andhra Pradesh) — Scooter Tyres — 180,000 nos. Scooter Tubes—270,000 nos—(NU).

Leather, Leather Goods & Pickers

M/s M. Subramaniam, Partner, Srivathsa Industries, 20-3, Ormes Road, Kilpauk, Madras-10. (Sembatta-Trichy-Tamil Nadu) — E.I. Tanned & Vegetable Tanned Skins—1.5 lakh pieces — (COB)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Modi Industries Ltd; Modinagar — U.P. (Modinagar-UP)—Spring Steel Flats & Sections — 30,000 tonnes; Free Outting Steel Flats & Sections — 10,000 tonnes to be rolled from 50,000 tonnes of steel billets p.a. to be produced from scrap in electric furnace by concast process. — (NA); M/s Shardlow India Ltd; Hazur Gardens, Madras-11. (Madras-Tamil Nadu)—Crankshafts & other Forgings—4000 M. tonnes—(SE); M/s International Cotton Corpn. Pvt. Ltd., (Engg. Division), Indian Globe Chambers, Fort Street, Bombay-1. (Hubli-Mysore)—Self Tapping Screws—600 tonnes—(500 million nos.)– (NU); M/s Steel & Fasteners Ltd; 20, Mangoe Lane, Calcutta-1. (Ghaziabad-UP)– High Tensile Bolts & Nuts – 3,600 tonnes; (High Tensile Machine Screws– 400 tonnes – (NU); M/s Rambal Pvt. Ltd; 129, Lattice Bridge Road, Madras-21. (Madras-Tamil Nadu) – New Articles: H.T. Specialized Type Bolts and Nuts (Ferrous and non-Ferrous) – 300 tonnes (15 million nos. only); Sub. Expn. H.T. Specialised type precision Machine Screw (Ferrous and non-ferrous)– 200 tonnes (65 million nos.) after expansion– (NA/SE); M/s Metal Forgings (P) Ltd., B-I, Mayapuri, Industrial Area, New Delhi-27. (Delhi) – Pipe Fittings namely Carbon/Alloy Steel including stainless steel Planges, Rings, Discs, etc. – 5000 tonnes after expansion – (SE); M/s Parasramka Commercial Co. (P) Ltd., 135, Canning Street, Calcutta-1. (Nilganj Road-P.O.; Panihati-West Bengal — Steel Stranded Wire and Fencing Wire—4000 tonnes (after expn.); New Articles. Steel Wire Ropes — 1000 tonnes (NA/SE); M/s Rajasthan State Industrial & Mineral Development Coporation Ltd., 100, Jawaharlal Nehru Marg, Jaipur-4. (Rajasthan) – Sponge Iron – 3,00,000 tonnes – (NU).

Metallurgical Industries (Non-Ferrous)

M/s Colrige Ltd., Tiecicon House, Dr. E. Moses Road, Bombay-11. (Kalva-Thana-Maharashtra) — Aluminium Collapsible Tube and Rigid Metal Tubes—75 million nos. —(NU);M/s Aluminium Cables & Conductors (UP) Pvt. Ltd., 2-A, Shakespeare Sarani, Calcutta-16. (Madhya Pradesh or Goa) —Aluminium Sheets/Coils—400 tonnes—(NU); M/s Gillanders Arbuthnot & Co. Gillanders House, Netaji Subhas Rd; Calcutta-I. (Goragacha — Calcutta— West Bengal)—Aluminium Slugs — 1500 tonnes Well Industrial Containners — 10 million nos. Extruded Aluminium Collapsible Tubes — 14 million



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nos (NU).

Electrical Equipment

M/s Electric Control Gear Pvt. Ltd., Behind Arbuda Mills Ltd., Rehhel Road, Ahmedabad-23). (Ahmedabad-Gujarat) — Moulded Case Circuit Breakers — 5000 nos (NU); Shri Natvarrsinha Kesari Singh, Talukadari Hostel, Nadiad, Dist: Kaira, Gujarat. (Baroda-Gujarat) — Winding Wires upto — 41 S.W.G. — 300 tonnes; Winding Wires 42 SWG and above — 50 tonnes — (NU); M/s Elpro International Ltd., Chinchwad, Poona-19. (Maharashtra) — Oriented Ceramic Magnets (Hand Ferrites) — 200 tonnes — (NA); Shri Jiten P. Mody, 11, Paradise Apartments, 44, Napean Sea Road, Bombay-36. (Gujarat or Maharashtra)— D.C. Motors & Their Controls (Above 20KW and upto 100 KW) — 4,500 nos. (90,000 KW with maximum rating of 100 KW); Eddy Current Couplings upto 50 KW — 500 nos.; Brake Motors (with an average rating of 10 KW)— 500 nos; Institutional Training Motors Average rating of 10 KW 300 Nos; a.) Frequency Generators upto 600/c/s and 200 KW average rating of 50 KW-150 nos; High Frequency Monots(FHP) 1-300 nos—(NU); M/s Victor Cables Corpn. 802, Joshi Road, New Delhi-5. (Sahibabad-Uttar Pradesh) — 1.1 KV ratings PVC powder cables of 150 sq. mm to 625 sq. mm. with aluminium conductors 150 KMs; 3.3 KV/6.6. ratings PVC covered aluminium conductors cable of size 9.5 sq. mm. to 500 sq. mm. — 100 Kms. — (NA); M/s Emco Transformers Ltd; 106, Industrial Area, Sion, Bombay-22. (Thana-Maharashtra)— Voltage Regulating Transformers — 300 nos. (30,000) KVA. — (NA); Shri V.K. Mansal, B-5/104, Safdarjung Enclave, New Delhi-16. (Uttar Pradesh) — Winding Wires upto 41 SWG — 300 tonnes Winding Wires upto 42 SWG and finer — 50 tonnes; Glass fibre covered wires — 75 tonnes; Fuse Wires — 1010 tonnes — (NU); M/s Guest Keen Williams Ltd., 3-A, Shakespeare Sarani, Calcutta-16. (Bombay-Maharashtra)—Magnetic Strip Wound Cores — 500 tonnes (after expansion) — (SE); M/s NGEF Limited, Post Box No. 5384, Bangalore-I. (Bangalore—Mysore) — Ltd Circuit Breakers upto — 1000 AMPS — 2,450 nos; upto 1000 A to 4000 A-300 nos. 11 KV Low Oil Circuit Breakers 250 to 500 MVA — 1020 nos.; LT and HT Load Isolators upto 1000 A-1000 nos; HT Load Breakers upto 630 A-300 nos; Drum type Switches upto 63A-3600 nos; LT and HT Switches Boards and General Panels— 1000 nos; LT HRC fuses — 17,000 nos; 11 KV HRC fuses — 1000 nos; Rectifier Fuses upto 600A— 5000 nos; Slipring Rotor Motor Starters up to 1200 A — 50 nos — (SE); M/s Bharat Industrial Works; 708, Akash Deep, 26-A, Barakhamba Road, New Delhi. (Raipur-Madhya Pradesh) — Electrolytic Capacitors — 5 million Nos. — (NA) M/s H.L. Mehra Forest Industries (P) Ltd;B -41, Darstran Apartments, Mount Pleasant Road, Bombay. (Bombay-Maharashtra) — Integrated Circuits — 10 million nos — (NA); M/s Electronics Corpn. of India Ltd., Industrial Development Area, Cherlapalli, Hyderabad-40. (Andhra Pradesh) — Metal Film Resistors — 10 million nos — (SE); M/s Sono Electricals Pvt. Ltd., B-200, Rajendra Marg, Bapu Nagar, Jaipur. (Faridabad-Haryana) — Winding Wire upto 41 SWG — 300 tonnes; Winding Wires 42 SWG & above — 50 tonnes; Impregnated Asbestos & Bonded Glass covered Wire — 75 tonnes; Fuse Wires-10 tonnes —(NU). Shri Sudarshan Kumar, Block-F, Suite No. 9, 17, Bow Street, Calcutta-12. (Haryana, Uttar Pradesh) — Winding Wires upto 41SWG — 300 tonnes; Winding Wires 42 SWG and above — 50 tonnes; Wire Enamels — 60 tonnes — (NU).

Telecommunication

M/s The Haryana State Industrial Development Corporation Ltd., Chandigarh. (Haryana) — HF and VHF Transreceivers — 10,000 nos.—(NU).

Transportation

M/s Tata Engineering & Locomotive Co. Ltd., Bombay House, 24, Bruce Street, Fort, Bombay-1. (Jamshedpur-Bihar/Poona-Maharashtra) — Commercial Vehicles — Expansion from 24,000 to 27,000 nos. at Jamshedpur Plant and by intalling a new unit at poona with a capacity of 9,000 nos. (Total capacity expanding from 24,000 nos. to 36,000 nos. — (SE/NA); Shri V.K. Bhatia, 113, B-Churchgate Chambers, New Marine Line, Bombay-20. (Aurangabad-Maharashtra) — Automobile Gears — 600 tonnes — (NU); M/s Escorts Ltd; Automotive Division, H-2, Connaught Circus, New Delhi. (Bangalore-Mysore) — Pistons and Piston Pins — 10 lakh nos. of each— (NU) M/s Maco Private Ltd., 6692/1, Khari Baoli, Delhi-6. (Sonepat/Haryana) — Gudeon Pins — 12 lakh nos. — (NU).

Industrial Machinery

M/s Larsen & Toubro Ltd; Powai Works, Saki Vihar, Road, P.B. No. 8901, Bombay-72. (Powai-Bombay Maharashtra) — Spray Drying Plants — 6 plants for various applications — valued Rs One crore. (After expansion) — (SE); M/s Process Control & Chemical Engg. Pvt. Ltd; Taj Building, 3rd Floor, 210, Dadabhoy Naoroji Road, Fort, Bombay-1. (Vatva-Gujarat) — Pipe Fittings *viz.* Forged Carbon Steel Fitting such as Elbows Returns, Tees, Reducers Caps of Different sizes; Screwed and socket weld fittings (upto 2" size) and screwed and socket weld slip-on and Weldneck type flanges (upto 24" sizes) — for a combined capacity of 4000 tonns — (NU); M/s Industrial Abrasive Co-operative Society Ltd, 3rd Floor, Kasam Chambers, 163, P.D. Mello Road, Bombay-1. (Maharashtra) — Aluminium Oxide Brown Abrasive Grains — 3,500 tonnes — (NA).

Miscellaneous Industries

M/s Akshani Steel & Castings Corporation, D-4, Amalfi, 15, Napean Road, Bombay-6. (Aurangabad-Maharashtra) — Ferrous Die Castings — 2250 tonnes; Aluminium Die Castings — 500 tonnes; Brass Die Castings — 250 tonnes — (NU); M/s Supreme Industries Ltd; P.B. No. 7107, Wadala, Bombay-31. (Uttar Pradesh)— PVC Pipes — 2000 tonnes — (NU); Shri J. N. Singh, Devi Bhavan, S-35 Greater Kailash, New Delhi-48. (Uttar Pradesh) — PVC-Pipers and Fittings — 2000 tonnes; PVC Profiles — 1000 tonnes — (NU); Shri Jogesh Kumar Bansal, 17, North West Avenue, 4-Sector, Punjabi Bagh, New Delhi-26. (Haryana) — PVC Pipes Fittings and Conduits — 5000 tonnes — (NU); Shri K.L. Batra, 43-A, Rajpur Road, Delhi. (Haryana) — Rigid PVC Pipes, Fittings and Conduits — 3500 tonnes — (NU); Shri M.M. Khanna, 59, Friends Colony, New Delhi-14. (Delhi) — PVC Pipes Fittings & Conduits — 2250 tonnes — (NU); M/s Oudh Co-operative Industrial Society Ltd; 42 Gautam Budha Marg, Lucknow (U.P.) (Uttar Pradesh) — Rigid PVC Pipes and Conduits — 2000 tonnes — (NU); Shri Gulshan Lal Chawla, 25/6, East Patel Nagar, New Delhi. (Haryana) — PVC Pipes, Fittings and Conduits — 3000 tonnes — (NU); M/s Shyam Investment Corpn. Pvt. Ltd., United India Building, Phirozshah Mehta Road, Bombay-1. (BR). (Uttar Pradesh) — PVC Pipes Fittings Conduits — 2500 tonnes — (NU); Shri Sajjan Kumar Vaid, c/o Bhagwan Industries Pvt. Ltd., Industrial Area, Lucknow —4 (U.P.) (Lucknow & Uttar Pradesh) — Dow Chemical Compound Footwear — 18 lakhs pairs — (NA) M/s K.L. Plasfabrics Ltd; B-3/21, Safdarjang Enclave, New Delhi-16. (Faridabad-Haryana) — Packing Cloth and Bags and Carpet Backing Cloth— 90,000 meter or 60 lakh bags — (NU); M/s Panyan Cement and Mineral Industries Ltd; Cement Nagar, Kurnool Distt., Andhra Pradesh. (Rajampet-Distt: Cuddapah-Andhra Pradesh) — Barium Chemicals — 24,000 tonnes — (NA); M/s The Baroda Rayon Corpn. Limited, Great Wester Building, 1st Floor, 130-132, Apollo Street, Fort, Bombay-1. (Baroda-Gujarat) — Ethyl Acrylate — 1650 tonnes; Methyl Acrylate— 1650 tonnes — (NA); M/s Birla Jute Mfg. Co. Ltd., United Commercial Bank Building, 4th Floor, Parliament

Street, New Delhi. (West Bengal) Calcium Carbide — Expansion from 14,850 tonnes to 28,100 tonnes – (SE); M/s Central Oxygen & Acetylene Co., c/o M/s Ashok Carpets, 24, Barakhamba Road, New Delhi;. (Faridabad-Haryana)— Dissolved Acetylene Gas– 0.10 million cu." meters. – (NU).

Drugs & Pharmaceuticals

M/s Hoechst Pharmaceuticals Ltd., Dugal House, Backbay Reclamation, Post Box No. 11123, Bombay-20. (Bombay-Maharashtra) – Deomil Tablets – 20 million tablets – (NA); The Atul Products Ltd. Atul, W. Railway, Distt. Bulsar, Gujarat. (Bulsar-Gujarat) Tolyl-P-Sulfonyl Ethyl Carbamate – Expansion from 40 tonnes to 100 tonnes – (SE); M/s Sandoz (India) Ltd; Sandoz House, Dr. Annie Besant Road, Worli, Bombay-18.WB. (Maharashtra) Sodium Gluconate and Thioglycolic Acid– 60 tonnes each – (SE); M/s Ranbaxy Laboratories Pvt. Ltd., Okhla, New Delhi-20. (Delhi) L-Dopa Tablets within the existing overall licensed capacity – (NA).

Food Processing Industries

M/s Harak Chand Flour Mills, Hardoi Road, Sitapur (UP). (Sitapur-Uttar Pradesh) – Wheat Products – 45,000 tonnes – (NU); Shri Rustom Ali, Assam Flour Mills, D.K. Road, (Bidyapara), P.O. Dhubri, Dist: Goalpara, Assam. (Dhubri, Assam) – Wheat Products – 15,000 tonnes – (NU); M/s Gauripur Copperative Flour Mills Ltd. Khetawat Bhavan, Durgada Road, P.O. Dhubri, Assam (Gauripur-Assam) – Wheat Products – 15,000 tonnes (NU) Shri G.B. Chawla, Kalyan Bhavan 354, Kalvadevi Road, Bombay-2. (Bhopal-Madhya Pradesh) Biscuits 750 p.a; tonnes (NU).

Rubber Goods

M/s Equipment, 10/1, Princept Street, Calcutta. (Chikalthana-Aurangabad-Maharashtra) — Low, Medium and High Pressure Hydraulic Land Special Hoses 1.2 million meters; Low, Medium and High Pressure Special Hose Assemblies — 6 laksh nos (NU).

Glass

M/s Jagatjit Industries Ltd., 54, Ring Road, Lajpat Nagar-3, New Delhi-24. (Shahibabad-Uttar Pradesh) — Glass Bottles — 6,000 tonnes — (SE).

Cement & Gypsum Products

M/s The Amalgamated Coalfields Ltd., Hong Kong House, 31, Dalhousie Square, Calcutta-1. (Itarsi-Hoshangabad-MP) — Portland Cement 2.00 lakhs – (NU).

Change in Names of Owners/Undertakings

(Information pertains to particular licences only).

M/s Delhi Cloth & General Mills Co. Ltd., New Delhi-1. to M/s Shriram Fibres, New Delhi. Ltd.; from M/s Bist Industrial Corporation Ltd; to M/s Kichha Sugar Company Ltd., Uttar Pradesh; from Garlick & Co.Pvt. Ltd; to Garlick Engineering (A Division of the Empire Dyeing and Manufacturing Co. Ltd) Bombay; from M/s Jindal (India) Pvt. Ltd, Howrah; to M/s Jindal Pipes Pvt. Ltd, Howrah.

Licences Revoked or Surrendered

(Information pertains to particular licences only.)

M/s Paxma Axle & Springs Pvt. Ltd., 15/4, Mathura Road, Faridabad, Haryana — Tie Rods and Tie Rod Ends.

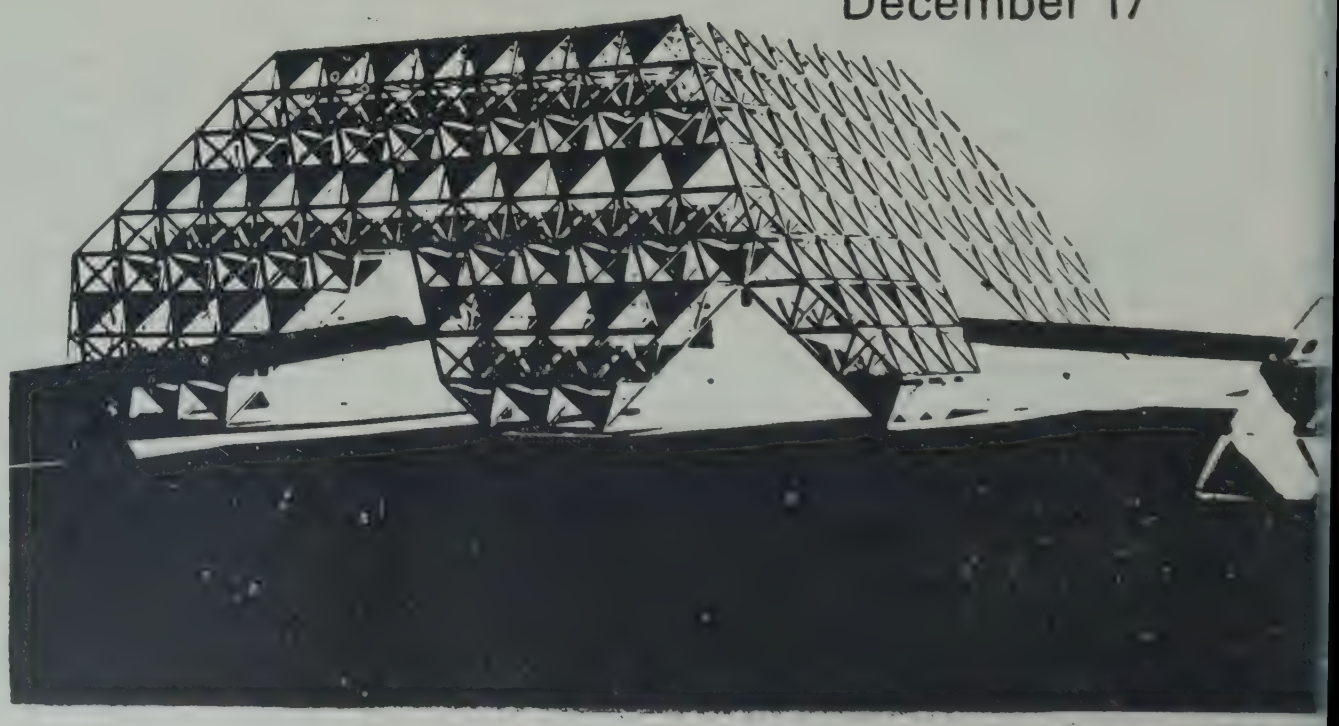
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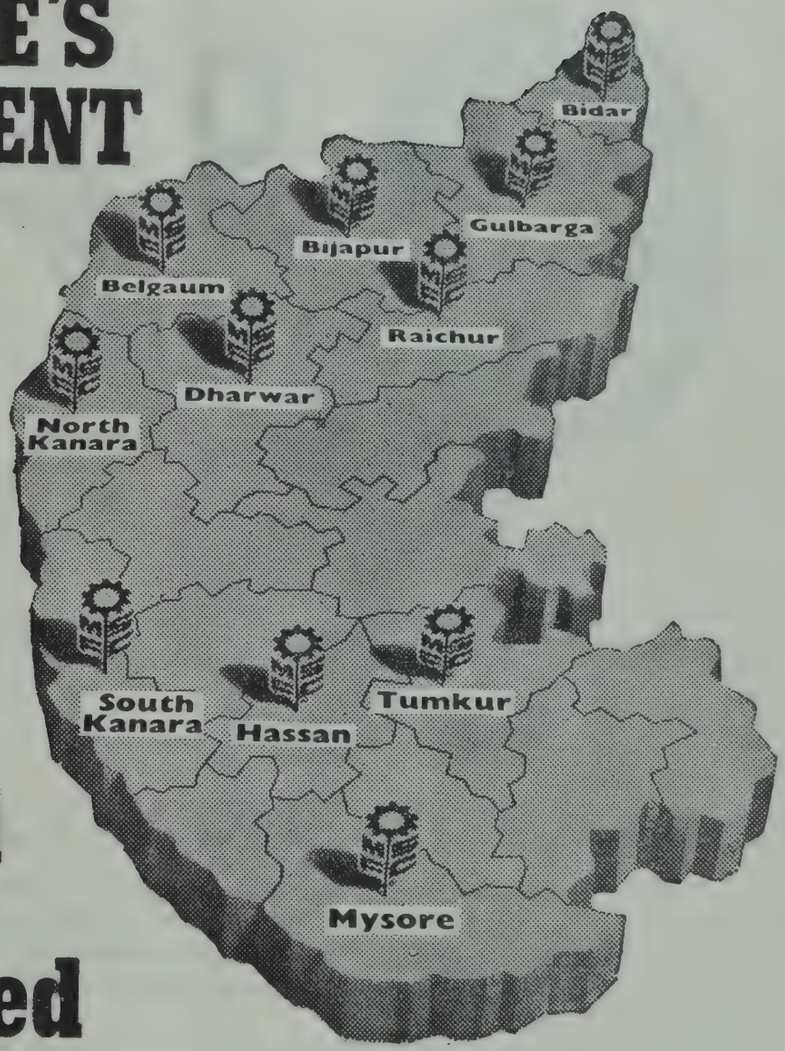
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CONSOLIDATED COFFEE LIMITED

Speech of Mr. M. A. Sreenivasan, Chairman, Consolidated Coffee Limited, at the 29th Annual General Meeting of the Company Held on 27th October, 1972.

The year that has passed since we last met witnessed two memorable events of which the nation can be proud. First, the resounding victory of our fighting forces under the masterly leadership of our country's Defence Chiefs. Second, the bold and humane handling of the enormous problem of Bangladesh and its refugees, under the skilful guidance of the Prime Minis-, ter, which not only won international praise but also further strengthened her undisputed leadership of the nation and its Government.

While these events fulfilled the people's long cherished desire for peace and for a stable Government, the euphoria was shortlived. It soon became clear that Forture still did not come with both hands full; that peace could be elusive, and stability, by itself, hardly a boon.

In command of an overwhelming strength in Parliament, and armed with Amendments of the Constitution, the Government mounted a campaign of hot and relentless pursuit of the proclaimed enemy — Poverty, giving the nation the warcry 'Garibi Hatao', — a cry more strident and readily understood by the populace than the old and outworn 'Quit Poverty" of the last decade. And as the campaign gained momentum and the pursuit got hotter, it was hardly surprising that the common people were sometimes reminded of the fate of civilian populations living amidst a war zone, who know not where the next bomb will fall, or the next invasion will come. For, not a week has gone by in recent months in which the morning's paper did not carry headlines charged with explosive news. One day it is of mob violence, of policemen stoned or stabbed, another day of curfew and the Army called to quell insurrection. A third day brings announcement of an Ordinance that bursts like a bombshell, a fourth the shattering news of the Government's take-over of an important industry or an entire trade, or a Bill to impose or lower a ceiling. And the people live in constant dread of what the morrow may bring.

Wherever you go you come across this anxiety and this questioning...

"Is it wise for me" asks a factory owner "to sink more money to expand production, or should I follow the words of Omar Khayyam — "Ah! take the Cash and let the Credit go".

"My occupation is gone" mourns a trader, "and all my men are out of employment. My customers liked and trusted me. Should the innocent be mowed down with the enemy?

"I hve put all my savings in a good Company" says a shareholder. "It is sound and well-managed, the dividend is steady but extremely modest. Every year the Directors plough back a good part of the taxed earnings for expansion and reserves. Does that make sense any more?" he asks, "Look at the so called "amounts" paid in the recent nationalisation. Were they a reward for prudence or a premium on improvidence?"

"Is there no end to Land Reforms," sighs a farmer "did not Prime Minister Jawaharlalji lay down years ago that once the basic reforms were enacted, they should not be meddled with for 50 years? What is to happen to my children?"

I think it will readily be agreed that this climate of anxiety and uncertainty tends to make a mockery of budgets and to make planning, except perhaps in the cells of yojana Bhavan, an exercise in futility.

I hve spoken, so far, of the fears and hazards of what may be called the Government produced psycho-economic climate. But we in the plantation industry have, in addition, to cope with the whims and vicissitudes of the sky-made climate which can turn a green revolution into brown, and which indeed slashed down our coffee crop to less than half of what we picked the previous year. Living under these two climates as we do, we doubly need the fullest protection and sympathy from the Government.

Here let me say at once that if there is one thing for which the plantation industry cannot be sufficiently thankful, it is the words of sympathy and appreciation that planters and the planting industry have invariably received, from the highest authorities in the Country. In all the years in which I have been associated with the industry I have known not one in which Heads of Governments or Hon'ble Ministers in the Centre or the States did not bestow generous praise, and give hearty pats on the back to planters and plantations for their performance and achievement, — their achievement in winning and retaining for India the first rank in the world for production of tea and the fourth rank in coffee production in contrast with the country's ranking as 37th out of 60 in wheat and 50th out of 66 in rice; for the industry's massive earning of foreign exchange, for the employment and amenities it provides to its one and half million workers on remuneration that works out to double or treble the average earnings of agricultural labour outside the industry. I have no doubt that it is the recognition of the industry's international distinction and national contribution that has led to the wise and farsighted decision to exempt plantations from the provisions of the forthcoming land reforms legislation. It is true that legal pundits have pointed to certain clauses in the Mysore Land Reforms (Amendment) Act 1972 that give rise to doubt and uncertainty, and to one section in particular that flashes the sword of Damocles. But I feel sure that it could not be the intention of the law givers to take away with the left hand what they decided to give with the right, and that the obscurities and inconsistencies will be cleared away before the Bill become law.

Having said that, I cannot here refrain from repeating and drawing the urgent and sympathetic attention of the Government of Mysore to a genuine glaring prievance that has remained unredressed for years. I refer to the anomaly and inequity of the tax of 60% on the income from coffee cultivation in excess of a lakh of rupees.

It is now nearly ten years since the Government of Mysore recognised the oppressive and injurious nature of this burden on the State's leading agricultural industry. In July 1964 the Hon'ble Finance Minister of Mysore gave a sollemn assurance of relief on the floor of the State Legislature. This assurance was repeatedly given by successive Chief Ministers and Finance Ministers in the long years that followed — during which the industry, whose hopes rose and fell at each budget time, were reminded of the fate of Tantalus. In September last year the Mysore Taxation and Re-

sources Enquiry Committee headed by Mr. S. Bhoothalingam recommended relief in the form of depreciation allowance on planted assets and a lowering of the 60 per cent rate following which the industry was again assured by the Government that the reliefs recommended would no longer be delayed.

The urgency of the matter is made much more pressing by the fact that the wage rises recently agreed upon will involve an additional cost rising progressively from Rs. 10 to Rs. 15 lakhs a year to your Company alone apart from the substantially increased liabilities under the Bonus Act and the Gratuities Act, while the price realised from coffee will suffer a reduction as a result of the export of a large tonnage of coffee at less than the cost of production.

It is the industry's fervent hope and expectation that the Government will not fail to give effect to the recommendations of the committee in the next budget. And it is in this confident hope and in response to the sympathy and appreciation extended to the industry that, despite fears and foreboding your Company has gone ahead with its programme for rehabilitation and expansion of production of coffee and with the cultivation of cocoa, although progress in regard to the latter has been slow owing to unforeseen delays in clearing the leased area.

I am happy to say that staff and labour relations have continued to be cordial; and the officers of the Company have rendered useful service under the competent, enthusiastic and energetic leadership of the Managing Director Mr. K.B. Somana whom I would like to thank warmly on behalf of you and the Board.

I am grateful to my colleagues on the Board for their unfailing co-operation and support and their valued advice and guidance.

(This does not purport to be a record of the proceedings of the Annual General Meeting.)



Dr. Bharat Ram

THE DELHI CLOTH & GENERAL MILLS CO. LTD.

Speech by Dr. Bharat Ram, Chairman, Board of Directors, The Delhi Cloth & General Mills Co. Ltd., at the 84th Annual General Meeting of the Company held on Thursday, the 2nd November, 1972 at its Registered Office at Bara Hindu Rao, Delhi.

Ladies and Gentlemen:

I have great 'pleasure in welcoming you to this 84th Annual General Meeting of your Company. The Directors' Report and Audited Statement of Accounts of the Company for the year ended 30th June, 1972 were sent to you sometime ago. The results, as you will notice, are satisfactory. As reported last year, replacement of 35 thousand spindles and 4 hundred looms at the new textile mill at Dasna has been completed. The factory has started working, although because of untrained labour and other teething troubles, it is not yet working with full efficiency. It is hoped that within the next few months this Mill will be running to its expected efficiency.

The Company has already received permission from the Government and the various formalities have been cleared to expand the fertiliser plant by 50 per cent. The work on construction has already commenced and every step is being taken to expedite the implementation of the increased capacity.

Your Company has started production of Electronic Desk Calculators. From the test reports obtained from some sample users, the product appears to be an excellent one. It is a matter of satisfaction that these Desk Calculators have been produced entirely by indigenous know-how developed in the Company.

Satisfactory as the working results of your Company have been during the year under review, we can not ignore the larger social milieu in which we are operating, the clamour of competing demands and doctrines and the approaches of Government to forge a synthesis between political and economic democracy.

We are living in an age when events crowd and every year has some special significant features of its own. Since we met last year, the poignant drama of the influx of 10 million refugees from Bangla Desh completed its full cycle: A war was thrust upon India by Pakistan and, happily, it was successfully over within a short time. The refugees have gone back to their homeland. It is a tribute to the stability of the country that the Indian economy was able to withstand the great stresses and strains of this period and our Defence Forces and people as a whole revealed, cool courage, and quiet discipline.

In a democracy, however, attitudes switch with incredible rapidity, and despite the fact that this year marks the Silver Jubilee of Indian Independence, the mood is not joyous. Unfavourable monsoons have given a sharp spurt to prices, particularly of food articles. Industrial production, by and large, continues to be sluggish. Every section holds the other responsible for the malaise. Apart from mutual criticism, private grouses and slender provocations tend to blow up into law and order situations.

Inasmuch as the present is the product of the past and will fashion the future, it is necessary, I think, that we dispassionately consider the strengths and weaknesses of our national policies. Statistics reveal an impressive list of achievements and an equally formidable list of failures in the economic field. There has been growth in various fields like power generation, heavy machinery building capacity and several other sectors. Yet, there is acute shortage of power and critical raw materials; the burden of our debt service payments abroad continues to be heavy.

National accounting must also bring out the qualitative change in the environment which is certainly for the better. In the eyes of the world, In

is no longer looked upon as a hewer of wood and drawer of water. We have emerged from a backward to an intermediate stage of development with clear potentialities for a rapid and sustained advance. Notwithstanding the immense increase in population, potential has been generated to create resources to increase employment, produce goods and improve the standard of living of the people.

There are some people in India and abroad who want us to believe that our policies have been all along wrong and short-sighted. To them may I ask a question? If our policies have been all wrong, how is it that India in spite of so many problems, economic, social and political, maintained a healthy democracy and economic development. When we look round the world, there is hardly any country, developed or developing which has not its own problems, ranging from political instability to group neurosis, from monetary crises to religious cleavages. It is wise to count our blessings not in a spirit of complacency, but with humility.

I have no doubt in my mind that the political will, as developed and manifest in our Prime Minister Shrimati Indira Gandhi, is strong enough to make such changes as are necessary to translate the long-spelt Economics of Promise into Economics of Results. She has committed the nation to bigness that will not be and should not be reversed. But the challenges are many; changes are inevitable; some crises, probably, cannot be avoided. A major responsibility is cast on all, particularly leaders, old and new, in all walks of life.

In the recent past there has been a good deal of discussion on the present economic situation. May I express some thoughts in respect of the required changes in the techniques and management of the national economy? To start with, it is upto the policy makers to think in more positive terms. This will have a salutary influence on public opinion. During the thirties, when depression overtook Europe and the American continent, the fundamentals of capitalism, as then known, were boldly questioned and the concept of a mixed economy emerged. We are living in days when those politically aware all the world over are also busy analysing and probing what is wrong with Socialism. It is clear that we should not allow the dead hand of either Adam Smith or Karl Marx to row the national boat. We must make full use of the enhanced knowledge that is available, and keep our doors opened to new ideas, technology, processes, management and organisation. Secondly, policy at all levels must be so re-oriented on the principle that men will operate best if they are given chance to operate at full capacity. This applies equally to administrators, entrepreneurs and managers of enterprises. Thirdly, committed as we are to development in a big way, big enterprises should be looked upon as national agents of speedy growth instead of viewing them with distrust and placing them in strait jackets. They should be permitted to vigorously function subject to regulations that will take care of restrictive business practices or such other activities which are harmful to the interests of the people. Small and medium industries will grow round the large ones.

Citizens, in their turn, have to re-assess their thinking. Every one has to shift his focus to the national rather than personal or group welfare. The tendency to test wits will have to be replaced by honest hard work on the part of each. We, in business, must not only accept but welcome reforms appropriate to the removal of exposed abuses both in letter and in the spirit. Had we done this earlier, perhaps, private enterprise would not be in the same defensive position as it is today. Reaction is as bad as rebellion, for both repudiate the presumption that there is scope for peaceful change.

The question of raising the living standards and opening out to the people new opportunities for a riches and more varied life has many facets and implication — political, economic, social and moral. Each of them by itself, more so in combination, firmly points out that we have to step up our economic development. There are in our country a large number of pockets, where poverty is in a very intense form. I believe that there must be a concerted drive on the part of larger enterprises to establish new industries in these centres. Fiscal incentives apart, which may be necessary, the biggest incentive could be the availability of Power. The planners must, therefore, concentrate on quickly developing Power and other infra-structural facilities, and even here private enterprise may be able to contribute its bit.

There is a very important point to which I would like to refer, though with some hesitation. It concerns the leadership provided by our trade union friends. Time was when the industrial worker required all the support of legislation. Today, those who are working in the organised industry are in an advantageous position when compared to the other sectors of the working class. The demands that are made on their behalf and by them are often more out of habit or political motivation rather than through real necessity. This is not all. Cessation of work for one cause or another is not quite uncommon. The public sector enterprises are no less affected than the private sector. It is, to say the least, surprising that trade unions which are keen for nationalisation of industries should ill-treat those industries which are already being run by the State. Strikes and lockouts in today's society is an exploitation of the consumer and a crime against the nation.

This brings me to the question of emoluments of industrial labour. In my view, while an industrial worker may as an incentive be paid more than his due, he must work to earn this through his output. For historical reasons, his pay packet is currently composed of many elements. In addition to basic pay, there is the dearness allowance related to the cost of living index numbers, statutory cum exgratia payment related or unrelated to earned profits, gratuity, employers' contribution to the Provident Fund, ESIC, miscellaneous allowances and customary fringe benefits. Bonus is the most controversial component. It has become a source of constant friction. Partly through semantics and partly through pressure, the minimum bonus has been increased from 4 per cent to $8\frac{1}{3}$ per cent and it is payable even by units which incur losses. I do hope and trust that some rational principles will soon emerge to determine our wage policy, and that bonus is firmly related to production and profits.

I have not referred to so many policies of the Government which affect economic development of the country but have only referred to a few imporant aspects. In any case, whatever the policies of the Government may be, it is most important to expedite the administraion of these policies in a positive manner so that they result in increased production and industrial peace.

I have always been an optimist and feel certain that with the dynamic leadership of our Prime Minister Shrimati Indira Gandhi, the country will forge ahead. As the Prime Minister herself said, we have only a few years in which if we do not show quick economic results for the large masses, the country may be overtaken by unforeseen forces. In the country's great endeavour, your Comapny will always play its role.

Finally, on your behalf and mine, I would like to place on record sincere thanks to all the workers and staff of the Company who have spared no efforts to produce such outstanding results.

NOTE: This does not purport to be a record of proceedings of the Annual General Meeting.

RECORDS AND STATISTICS

International trade in 1971

THE ANNUAL report of the GATT secretariat on trends in international trade published recently states that the trade effects of the monetary crisis that opened in August 1971, the increasing impact of inflation on international trade, the shift toward regionalism in trading patterns, and the dramatic rise in world oil prices are the major themes of world trade in 1971. The report analyzes trade flows in 1971, and identifies the main trends evident in the first half of 1972.

Principal conclusions of the report, discussed in more detail below are:

(i) The marked slowdown in 1971 in the growth of world trade, detected in preliminary figures available earlier, is confirmed.

(ii) Although the trade effects of the monetary crisis of 1971 are difficult to assess they do not seem to have been great. But there is some evidence that the crisis would have been dangerous for trade if it had continued much longer.

(iii) The parity changes of December 1971 had not yet by mid 1972 had any noticeable corrective effect on trade and current account imbalances.

(iv) There was a marked rebound in imports of industrial countries in the first half of 1972. Over 1972 as a whole, world trade is likely to be 7-9 per cent higher in volume, and 15-20 per cent higher in dollar value, than in 1971.

(v) The parity agreement reached in December 1971 remains under pressure from continuing inflation, or rather the disparities in inflation rates.

(vi) In commodity terms, trade in 1971 was marked by the unexpectedly large growth in the volume of agricultural exports, the dramatic rise in petroleum prices which had a significant effect on the cost of imports as a whole by industrial countries and the slower, but still rapid, growth in value of exports of manufactures.

(vii) Nearly all areas shared in 1971 in the slowdown in the rate of growth of trade. The slowdown in the exports of developing areas as a group was very moderate; however, the benefit went almost entirely to petroleum exporters, and other developing countries experienced a deterioration in their terms of trade.

(viii) A special study of world imports and most-favoured-nation and preferential terms shows that most-favoured nation imports still account for by far the largest proportion of world trade, although trade on preferential terms is growing.

Growth of World Trade

Higher prices and the Smithsonian parity adjustments inflated the value of world trade in 1971. Trade increased in dollar terms by 11 per cent, and in terms of SDR's by about 9 per cent. In volume, however, the rise in world trade in 1971 over the previous year was only 6 per cent, a marked reduction compared with the increse of 8½ per cent in 1970, which in turn had fallen well short of the volume growth achieved in 1969 and 1968. As there was only a marginal slowdown in 1971 in the growth of world output (from 3½ per cent in 1970 to 3 per cent in 1971), there has been a significant narrowing of the rates of growth of world output and trade. This suggests that following the extraordinary intensification of world trade in the late 1960's there may be a return to the closer relationship between growth in output and in trade of a decade earlier.

Trade and the Monetary Crisis

The year 1971 was one in which "developments in demand, output and international trade were overshadwoed by the crisis of the international monetary system". The GATT report recalls, however, that the crisis, although triggered off by exceptionally large movements of capital, owed much, psychologically, to movements in trade balances. These trends are analysed in some detail.

The effects of the monetary crisis on trade in 1971 are difficult to assess. Statistically, the evidence is inconclusive, being masked by a number of factors such as the difficulty of allowing correctly for flaoting exchange rate. Effects on trade flows themselves were damped by the comparative shortness of the period (from mid August to mid December) of acute crisis during which the U.S. dollar rate was floating and the temporary import surcharge was in force. Moreover, a large proportion of trade during the period represented orders placed earlier; four months was thus "not sufficiently long to make a distinguishable dedent in the flow of United States trade and even less of world trade". The report points however to surveys of business opinion at the time which suggest that if the crisis had continued much longer it could have had a dangerous impact on entrepreneurs' decisions.

By mid-1972, the GATT economists note, the parity changes of 1971 had not yet brought about any noticeable correction of the trade and current account imbalances underlying the 1971 crisis. The immediate terms-of-trade effect of these changes still generally overshadowed the changes in the underlying competi tive position of the various industrial countries. Thus in the first half of 1972 the trade deficit of the United States reached an unprecedented level.

The report points out that the success of the 1971 parity readjustments in bringing about desired changes in the balance of payments of both deficit and surplus countries will depend on the actual response of import and export prices to these changes. Some evidence of this response is given by changes in unit values of imports and exports by the industrial countries. These suggest that, with the main exception of Japan, "exporters have found it difficult to lower their sales prices in national currency in order to counteract the impact of currency appreciation", and that "a substantial proportion of the changes in effective parities will be translated into actual changes in relative export prices, expressed in United States dollars".

Trade Prospects for 1972

Economic activity rebounded in nearly all industrial countries during the first half of 1972, and was promptly reflected in a marked acceleration in the imports of these countries. In volume terms, at a seasonally adjusted annual rate, the increase in imports was about 10 per cent, roughly double that of 1971. The momentum of this growth makes it likely, the GATT economists, state, that the volume of world trade will increase in 1972 by more than 7 per cent, and possibly as much as 9 per cent. In value terms, provided that there are no major modifications in present parities, their "very tentative" forecast is that world trade will grow by 15-20 per cent in 1972. This forecast does imply that, at constant

exchange rates, the unit value of exports will increase fairly rapidly in the coming twelve months.

Problems of Inflation

Inflation is a major theme of *International Trade 1971*. In the industrial countries, domestic inflation continued in 1971, on balance, at a rate only slightly below that of 1970, and twice that prevailing in the period 1958-68. As in 1970, but in contrast to earlier years when export prices remained remarkably stable, international trade did little to moderate this inflationary trend. Unit values of exports of manufactures rose, in terms of national currencies, by about 4 per cent, and parity changes brought the total increase in dollar terms to 6 per cent. There was a similar increase in dollar unit prices of imports into the industrial countries, to a great extent because of the increase in petroleum prices.

These trends have continued in 1972. After the Smithsonian Agreement, unit values of trade — even excluding petroleum — appear to have increased by about 10 per cent in dollar terms, i.e., by more than the amount of the dollar depreciation. "Apart from the improvement in the cost and price performance of the United States economy, the inflation continued unabated, and indeed sometimes at a quicker rate, in nearly all industrial countries." A more successful control of price levels in the major trading countries appears to be a precondition of any international monetary system based on stable, if not fixed, parities.

An usually large increase in agricultural exports was a feature of international trade in 1971. Both in volume and in dollar value these exports were nearly 9 per cent higher than in 1970. Mineral exports rose by only 2 per cent in volume but by 7 per cent in dollar terms, the latter figure reflecting the rise in petroleum prices and concealing a fall of nearly 20 per cent in prices of mineral and metals other than fuels. The growth rate of exports of manufactures in volume terms was lower than in 1970 but still above that of world exports as a whole. Unit prices of manufactures in dollar terms rose by 6 per cent, only a half percentage point less than in 1970.

The report's usual comprehensive account of developments in world commodity trade shows the impact of the large increase in petroleum prices that followed the Teheran, Tripoli and similar agreements. Reflecting the sluggishness of industrial production, imports of crude oil into Western Europe and Japan grew in volume by only 4 per cent in 1971, their smallest post-war increase, and their imports of all petroleum products rose by only 5 per cent in volume, against more than 12 per cent in 1970 and an annual average of around 10 per cent throughout the 1960's. For twelve Western European countries, however, the average increase in dollar unit values was nearly 28 per cent, accounting for more than a quarter of the increase of 5.6 per cent in the unit value of their total imports. The United

TABLE I

Development of World Exports and Production Between 1960 and 1971

	1960	1964	1965	1966	1967	1968	1969	1970	1971
World Exports									
Value (billion dollars f.o.b.)									
Total	128.3	172.5	187.0	204.0	214.5	239.5	273.0	312.0	346.0
Agricultural products	40.0	48.3	49.6	52.3	52.2	53.8	57.9	64.4	70.0
Minerals*	21.4	28.7	31.0	33.7	35.9	40.6	44.6	51.2	54.5
Manufactures	64.0	92.5	102.8	114.2	122.9	140.4	164.5	189.6	215.0
Unit Value (1960=100)									
Total	100	102	103	105	105	104	107	113	119
Agricultural products	100	102	101	101	100	99	104	106	106
Minerals*	100	104	109	113	109	110	116	122	128
Manufactures	100	101	103	104	106	106	107	114	121
Volume (1960=100)									
Total	100	132	141	151	159	180	199	215	227
Agricultural products	100	119	123	130	130	136	139	152	165
Minerals*	100	129	133	140	153	172	179	195	199
Manufactures	100	143	155	171	181	207	240	260	278
World Commodity Output									
Volume (1960=100)									
All Commodities	100	123	130	139	145	155	164	170	175
Agriculture	100	112	113	118	121	125	126	128	133
Mining	100	123	127	133	139	147	154	164	171
Manufacturing	100	129	138	150	157	169	182	189	194

*Including fuels and non-ferrous metals.

States was less affected, since it draws a large share of its petroleum imports from Canada; so was Japan, which benefited from the fall in freight rates. These figures do not take account of the further rise in petroleum prices during 1972 that has resulted from the agreement reached last January to adjust reference prices to compensate for the devaluation of the dollar.

Trade Developments by Area

The slowdown in the rate of growth of international trade in 1971 affected nearly all arreas.

The most dynamic element in trade was provided by exports of the *industrial countries*. Nevertheless, the 11.5 per cent growth in these exports in 1971 was well below the exceptional 15-16 per cent of 1969 and 1970. This total figure conceals a slowdown in of 1969 and 1970. This total figure conceals a slowdown in the growth of US-Japanese trade (almost entirely caused by a decline of US exports to Japan); a strong recovery in US---Canadian trade; a sharp deceleration in exports to the Eastern trading area and to Australia, New Zealand and South Africa; and an above-average increase in exports to developing countries.

The shifts in trade balances among the industrialized countries played a large part in the monetary crisis of 1971. "In a longer perspective, the shift in trade balances can be best illustrated by the fact that the f.o.b. trade surplus of the Group of Ten countries excluding the United States (i.e. the EEC countries, Sweded, United Kingdom, Canada and Japan) increased from an annual average of $1.2 million in 1961-65 to $7.8 milion in 1966-70 and $18.2 illion in 1971, whereas the corresponding United States figures were surpluses of $5.4 and $2.2 billion, respectively, and a deficit of ;2.9 billion in 1971."

"Highly preliminary" estimates suggest that exports of the *developing areas* rose in 1971 by about 11 per cent, and imports by about 13 per cent. In 1970 both exports and imorts had increased by some 12 per cent. The overall figures for 1971 hide, however, a considerable redistribution of export gains in developing countries in favour of petroleum exporters, since the increase can be attributed almost entirely to the negotiated rise in petroleum prices.

The dollar value of all other exports by developing countries progressed by perhaps 3 to 4 per cent: although the available statistics are fragmentary and uncertain, it seems clear that the unit values of these exports fell, while their volume increased. There was a marginal acceleration in the rise in total imports. Taken at face value, these tentative estimates suggest a further substantial increase, by some $1 billion, of the f.o.b.-c.i.f. trade deficit of the developing countries taken as a group. The figure is made up of a $3½ billion increase in the recorded trade surplus of the petroleum-exporting countries and a $4½ billion deterioration of the substantial trade deficit of all other developing countries comined.

The Report studies the impact of the Smithsonian Agreement on the purchasing power of the reserves of develoing countries and on the parity rates for their currencies. It concludes that the loss of purchasing power was rather over $500 million, or somewhat less than 3 per cent of their official reserves, while the parity changes represented a "significant depreciation" in the effective parities of the developing countries as a group.

Foreign trade of *the Eastern trading area* continued to expand in 1971, but less rapidly than in the preceding year. There was a significant increase in export prices to develop market economies. Exchanges of the Eastern trading area in 1969 and 1970 with both developed and deveing countries had expanded in value considerably faster than intra-area trade. In 1971 there was a return to more rapid growth in intra-area trade, mainly because of a pronounced slowing down in the area's trade with developing countries. The area's net export surplus in f.o.b. terms increased to $1.2 billion, almost reaching its previous peak of 1969.

In 1971, as in other recent years, trade under secial tariff arrangements grew faster than world trade. Calculations made by the GATT secretariat on the basis of detailed trade statistics for 34 countries show, however, that trade at most-favoured-nation (m.f.n.) rates in fact still represented some three-quarters of the total trade of GATT countries in 1970.

The conclusions published in *International Trade* 1971, and summarized in Table II show that the share of preferential imports in total GATT imports rose continuously from 10 per cent in 1955 to 24 per cent in 1970. The increase is accounted for by three main trade flows: trade among memi bers of the EEC; EFTA and United States automotive imports from Canada.

However, the expansion of preferential relatives to m.f.n. imports has tended to decelerate during the last decade. Whereas from 1955 to 1961, when intra-European trade liberalization was beginning, the share of preferentials in total imports of GATT countries increased on the average by 1.2 percentage points per year, the average yearly increment fell to 0.9 percentage points during the period 1961-64, and during 1964-1970, when several new preferential arrangements were introduced, to only 0.8 percentage points.

Preferential imports are defined, for the purposes of these estimates, as all imports entering at duty rates actually lower than m.f.n. rates and including the intra-regional trade of the EEC and EFTA imports under the Commonwealth preferential scheme, and United States automotive imports from Canada, along with imports under all other preferential arrangements in existence in the years examined. The secretariat study, which includes data for countries which account for 85 per cent of GATT member's trade, was carried out in response to a request made by GATT member governments.

TABLE II

Imports at Most-Favoured-Nation and at Other Rates

(Billion dollars and percentages)

Year	Value of total imports (billion$)	Share of imports (percentages)						
		At m.f.n. rate	Total	EEC	EETA	US/Can	Other	At other rates
1955	64.4	89.6	10.1	1.7	..	..	8.4	0.3
1961	93.6	82.4	17.2	9.1	2.7	..	5.4	0.4
1964	123.9	79.8	19.8	11.4	3.2	..	5.2	5.4
1970	231.9	75.4	24.3	15.9	3.5	1.5	3.4	0.3

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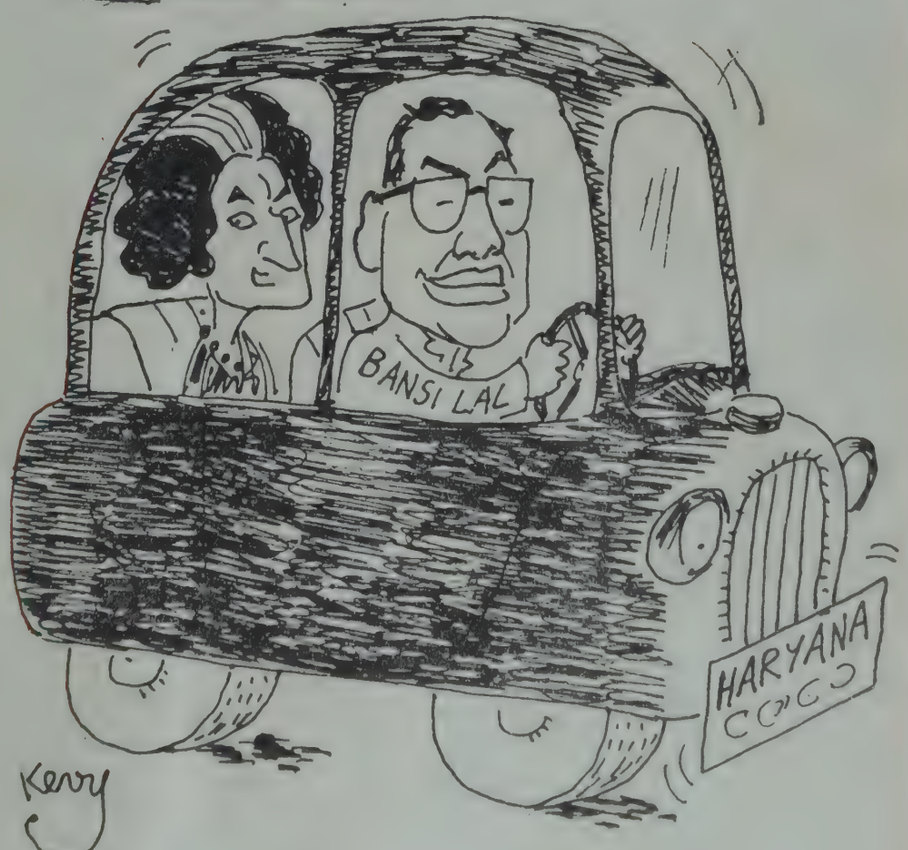
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CHANDIGARH, Nov. 2—Prime Minister Indira Gandhi has reportedly assured Haryana Chief Minister Bansi Lal that no commission will be appointed to inquire into the corruption charges levelled against him by the Opposition, sources close to Mr Bansi Lal revealed here today.



SMALL CAR ARRIVES?

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PEOPLE
FUTURE
GROWTH
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DEVELOPME
PROGRE
COMMUNI
PLANNI
WELFARE

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More than a preposition

BETWEEN THE "Towards an Approach to the Fifth Plan" which was discussed by the National Development Council at the end of May this year and the "Approach to the Fifth Plan 1974-79", which the cabinet is considering at the time of writing, there is a difference which is certainly more substantial than the dropping of a preposition. While the last but one Planning Minister may not perhaps agree that the present document marks a great leap and while the present Planning Minister himself may not claim that it is a giant step for the Indian people, there is no doubt that the 'Approach' paper is a move in the right direction.

Right now, the complete document is not public property and only "a brief resume" has been released to the press. This again does no more than indicate very broadly the dimensional hypothesis for the fifth Plan. Even so, it has the merit of viewing in perspective the major requirements for the further progress of the economy. Whereas the earlier paper had adopted the language of demagogy in dealing with the twin issues of economic growth and social justice, the present document categorically states that growth and reduction in inequality are both indispensable to a successful attack on mass poverty and that it is therefore inadmissible to under-play either factor. Again it says that employment policy must aim at improving both wage levels and expanding self-employment, while raising productivity all round. An employment-oriented Plan, it is further averred, must seek a reasonable balance between the employment-intensive sectors and the others bound to them with strong forward and backward linkages. A disproportionate development of the economy as between two sectors would lead to the under-utilization of capacity, thus frustrating the employment objective. All this means in essence that the fifth Plan must be so framed and administered as to satisfy the criterion of economic efficiency, for it is only an efficient economy which can generate resources more freely for programmes of social justice or social welfare while avoiding the aggravation of inflation or increasing the risks to economic and social stability. It may be said that we have heard all this before, but the merit of first principles being restated now is that their recognition in formal terms at this critical stage in the course of the economy is reassurance of a kind that some of the demagogic pressures of planning are being resisted resolutely.

The same impression is produced by the correction of the over-emphasis placed in the earlier paper on the production of mass consumption goods particularly through labour-intensive industries. It is now stated that stress should be laid on social consumption and investment in the form of education, health, nutrition, drinking water, housing, communications and electricity. Equally significantly an attempt has been made to identify the dangerous deficiencies or lack of development in certain vital areas of the economy, and the point is made that an increase in the production of commercial crops, steel, non-ferrous metals, fertilizers, crude oil, petroleum products, engineering ancillaries and basic chemicals should be among the priorities of the Plan. It is relevent to mention here that the minister for planning was recently appointed to lead a committee to inquire into the problem of power shortage and suggest measures for stepping up generation capacity and expanding transmission facilities. It would be readily conceded of course that the real basis for any large planning effort is a firm base in real resources.

The 'Approach' paper says that the financial resources of the Plan have been estimated at Rs 51,165 crores at 1970-71 prices. Mark the word 'resources' as distinct from 'outlay'. Perhaps the intention is to reassure the public that the Plan's targets and allocations will be as realistically related as possible to the resources actually expected to be forthcoming rather than to financial estimates arrived at more on a pre-determined basis. In any case, the fifth Plan, about a little more than twice the size of the fourth in terms of the money outlay in the public sector, is not ambitious when looked at in the light of the fact that its estimates are worked out at 1970-71 prices. Incidentally, the Plan itself will get going only in 1974-75 by which time the price level may be expected to have further moved up.

On the issue of the average annual rate of growth, however, the planners have still to work very hard indeed for achieving credibility. If in fact the projected rate of growth of 5.5 per cent per year is secured, resources will not be a serious problem. The question, however, is whether the planners will not have to do a lot more of hard work before they are able to claim a reasonably high degree of credibility for the growth rate they have assumed. The average annual rate of growth during the fourth plan is unlikely to end up at much more than three per cent. When it is borne in

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mind that grave imbalances and shortages in real resources have been built up in the economy, it is certainly right to ask the Planning Commission, or, rather the government, what it intends doing between now and April 1974 to improve the capacity of the economy to undertake the large effort in real terms which will be demanded of it in the fifth Plan.

The planning minister has conceded that there is great need for the Planning Commission to work out and the government to accept and implement a comprehensive policy framework particularly for industrial investment and expansion, relative stability of incomes and prices, dynamic fiscal and monetary management, agricultural growth and improvement in managerial organization and efficiency. It is only when the general public and the more specialized observers of planning are in a position to know what this policy framework is to be that further discussion of fifth Plan projections or assumptions will become really purposeful and useful. As it is, quite a few question marks must remain. For instance, the government's assumptions about external resources in terms of progressive self-reliance of the economy may, at the present stage, be accepted, if at all, only on faith. We need to know much more than we do how the government proposes to step up the rate of domestic savings. We should know more, again, of its plans for export promotion. In both these areas our recent experience has been far from reassuring. It is just possible that many of the points that can only be cursorily mentioned or are not referred to at all in "brief resume" may be taken up and more fully dealt with when the full text of the 'Approach' paper is published for the benefit of public discussion. More important still, the government's credibility will depend on what it may do during the remaining period of the fourth Plan, to revise policies which have been seen to be negative, restrictive or self-defeating in other ways in terms of the studies made by the Planning Commission in preparing the fifth Plan and the bottlenecks identified by it as explaining the disappointing performance of the economy in so many of the years from and since the middle of third Plan.

WITHOUT CHARITY

The agitation against the DMK ministry in Tamil Nadu is picking up speed faster than many seemed to have anticipated. What is most impressive about this process which is now well on its way to developing into a movement is the popular support which has accrued to MGR, the ex-treasurer of the DMK, who has raised the flag of revolt against the bosses of that party. Student communities have come out in condemnation of what they regard as high-handed action on the part of the DMK leadership against MGR's attempt to make an issue of political corruption. They have joined their voice of protest to that of thousands of MGR fans to whom the summary ousting of their idol from the DMK has all the offensiveness of a personal affront. Some overconfident pundits in the daily press were in too much of a hurry to compliment Mr Karunanidhi, the DMK president and the chief minister of the state, on his political acumen or skill in striking out quickly at MGR by bringing about his suspension from the party overnight and thereby stalling his bid to raise the issue of corruption in the general council of the party. He had clearly overlooked the fact that MGR, for his part, had absolutely no intention of allowing himself to be taken unawares and that he had worked out in advance at least the outlines of a coherent strategy for dealing exactly with such a development as being thrown out of the DMK at short notice. He has annnounced the formation of a new party, the *Anna* DMK or the ADMK, complete with a new flag and all, and has thus been able to impart organized form and direction to his offensive against the DMK leadership. It is true that the ADMK is openly trading on the magic memory of the late Annadurai but the DMK should be the last to quarrel with this since it has itself been shamelessly exploiting the name of *Anna* all these days. As a matter of fact, the ex-DMK rebel MGR has a better title to appeal to the *Anna* legend than the DMK leadership since the essence of his challenge to Mr Karunanidhi and his colleagues is that they should have come out and satisfied the people of Tamil Nadu that they had not been betrayi the principles and programmes of t founder-leader of the party. In a case, since in many erstwhile DM strongholds, there has been great e thusiasm for the ADMK, MGR h every reason to assume that his claim t be the authentic upholder of the *An* tradition is receiving a respectable hea ing and perhaps wide acceptance as wel

As is only to be expected, th MGR assault had not brought abo any abrupt or large-scale disruptio of the higher echelons of the DM leadership. Indeed this situation woul appear to be perfectly natural sinc MGR's basic platform is that the DM leadership as a whole has come to b suspected by the people of corrupt con duct and it must therefore clear itse publicly. To the extent that there substance in the allegation, the me around Mr Karunanidhi, individuall as well as collectively, are in the positio of those living in glass houses. Thieve may indeed fall out ultimately, bu meanwhile they do have a tremendou stake in hanging together. In the cir cumstances, it is indeed quite remarkabl that as many as nine MLAs at the tim of writing and about three members o Parliament, all belonging to the DMK have come out into the open and for mally joined the ADMK. That M Karunanidhi himself is being rather les complacent about the ADMK threa than certain leader-writers in the daily press is suggested by the fact that h clearly dare not let the new party find political expression in ways which are normal in a democratic system. The chief minister, it is significant, has de cided to treat the MGR movement as a law-and-order problem from th very beginning. I am indeed surprise that there has been so little comment i political circles or the press on th extreme strangeness of a situation i which a perfectly legitimate attempt o the part of some citizens to form a new political party is being countered b politicians in power by pressing to thei aid the police machinery of the stat government. Merely by labelling th MGR campaign as an agitation, whic is a threat to peace, the chief ministe does not become entitled to make i

difficult, if not impossible, for his political opponent or opponents to organize public meetings or demonstrations. It is true that there have been cases of violence, particularly against individual DMK leaders or men, but these incidents, apart from demonstrating the spread or intensity of the resentment prevailing in the state against the DMK leadership, are clearly the consequences of the provocative display of police power by the chief minister in his attempt to intimidate the forces of opposition which have suddenly become a menace to his party's control of the government and, more particularly, his chief ministership.

During recent weeks Mr Karunanidhi has been complaining often enough that his opponents are conspiring to prepare the ground for central government intervention by deliberately working for a breakdown of law and order. He should realize that it is open to him to frustrate such a move, if any, by simply deciding not to put obstacles in the way of the ADMK organizing itself and functioning in the normal way of political parties in a democracy. It is because Mr Karunanidhi is out to deal with the MGR challenge, which is a legitimate political bid to oust him and his party from power, as a gun pointed at law and order in the state that a situation of not-always-peaceful confrontation has been encouraged to develop. It follows that, in more senses than one the primary responsibility for whatever may be the law and order situation in Tamil Nadu rests very heavily on the chief minister and the chief minister alone. If there is at all any redeeming aspect to Mr Karunanidhi's behaviour in the crisis which has caught up with him, it is that he has wisely decided to call a session of the state legislature on and from November 13. The assembly is undoubtedly the proper place where a new pattern of political forces or party relationships is to be looked for in the light of a split in the ruling party. The opposition parties will naturally try to secure as much public support as possible for themselves or their causes in the period before the scheduled show-down in the legislature. It is clearly the duty of the chief minister and the state government not to try to deny them directly or by indirect means the right to do so in a peaceful and constitutional manner.

Although MGR and the *Anna* DMK seem to have started with a genuine desire to give to the movement the character of a crusade against unclean men in the party which *Anna* had founded, it is inevitable that other opposition political parties would capitalize on the revolt which has broken out among the people against the leadership of the ruling party. The Congress of Mr Kamaraj has so far been acting in a circumspect manner. This is as it should be, because it is obviously not good tactics to create an impression that all kinds of political parties or politicians are ganging up against the DMK which after all had won the last general election with the sweeping support of the people. But, sooner rather than later, Mr Kamaraj will have to decide whether he can afford to deny the strength of his very considerable following in the state to the first effective effort to call the DMK to account. As for the Indira Gandhi Congress in the state, it is, if you will, in the happy position of being able to lie low or even watch from the aisle. This is for the simple reason that this group has not so far been able to develop leadership of any weight or credibility in the politics of Tamil Nadu. The CPI is perhaps in the most comfortable position of all outside parties so far as taking advantage of the MGR revolt goes. Especially with Mr Mohan Kumaramangalam being in a position to give it his blessings, more or less on behalf of the inner circle of the Indira Gandhi establishment in New Delhi, the CPI can certainly proceed to fish in the troubled waters of DMK-ADMK politics with the reasonable assurance that it need lack neither bait nor fish that might be tempted to bite.

A demand has gone up from the Tamil Nadu CPI for a judicial inquiry, under the auspices of the central government, into the charges of corruption against DMK ministers or other politicians. This has been nicely timed to coincide with MGR's declaration that he is now in a position to make specific charges of corrupt practices against the boss-men of the DMK. Unfortunately the central government itself does not appear to be in too strong a position to cast itself in the role of the White Knight of purity in politics or government. It has no doubt been widely rumoured that the CBI has been or is still being engaged in looking into the record of certain ministers or other DMK politicians in Tamil Nadu. Rajaji, has publicly and repeatedly asked New Delhi to share with the people the CBI findings, if any. The prime minister has not been in a hurry to refer to this demand. On one ocassion, however, she was asked point-blank for her comments on Rajaji's observations and her reply was generally considered to be ambiguous or equivocal. Anyhow, the impression persists that not only have there been CBI enquiries but these enquiries are continuing even now. This is apart from gossip in Tamil Nadu which has it that the anti-Karunanidhi campaign is getting both money and usable 'inside' information from sources in the national capital.

As regards the central government, its *bona fides* to intervene if necessary in DMK affairs would have been less open to question had Mrs Gandhi been more straightforward in her handling of allegations made by Haryana Congressmen themselves against the chief minister of that state. Some time ago, the prime minister had said that the charges were being looked into. This, however, was followed by a public statement by Mr Uma Shankar Dixit made while he was on a visit to Chandigarh, that there was nothing against Mr Bansilal and that he had been cleared of all suspicion. When the prime minister was questioned about Mr Dixit's observations by some opposition MPs, she maintained a sphinx-like silence. Subsequently, however, it has been reported that she has informed Mr Bansilal directly or indirectly that everything is all right. In any circumstances, this would have been a very unsatisfactory way of the prime minister, whether in her capacity as the leader of the central government or in her position as the *de facto* leader of the ruling party, dealing with the charges of corruption or maladministration made against a chief minister or a state government of the same party. Considering that the atmosphere is pregnant with rumours of a general prevalence of corruption among politicians, not only in Tamil Nadu but throughout the country, it was all the more obligatory on the part of Mrs Indira Gandhi to have avoided any hole-in-corner method of dealing with complaints of graft or other abuse of office levelled against her partymen in power. Her attitude becomes a wholly unacceptable one when it is examined in the context of the fact that the chief minister of Haryana has reportedly been going out of his way to extend his government's support and assistance to the small car project of the prime minister's son. While, therefore, every right-thinking citizen would welcome any attempt on the part of the central government to help impose norms of personal integrity on the ministers or other leaders of the DMK, the people of this country are entitled to demand of the prime minister that clean government, like charity, must begin at home and that there is a great deal to be done within her own party in terms of the establishment of right values of personal conduct by men in public office.

TOUCHSTONE

Power crisis : how to face it?

THE ACUTE power shortage in several parts of the country has brought into sharp focus the importance of improving the operating efficiency of the existing thermal plants and the formulation of plans which will ensure regular additions to generating capacity of three million kw. annually. Everybody is now agreed that the generating capacity should be increased to 40 million kw by 1978-79 from around 20 million kw at the end of the fourth Plan. The existing capacity is about 18 million kw and, with the implementation of new schemes, an additional two million kw of capacity is likely to be brought into being by 1973-74. This will be short of the revised target for the fourth Plan by three million kw. The average growth in capacity in 1969-74 will be around 1.2 million kw and in spite of the anxiety of many state electricity boards to increase their capacity considerably the rate of growth in the last year of the fourth Plan will not be very different from the rate achieved in earlier years.

On the basis of the existing gap between availability of power and demand and with the estimates of future demand, there will be no satiation in the near future and as feared in some quarters the shortage may be unrelieved in the next decade. The central Minister for Irrigation and Power, Dr K.L. Rao, has failed to anticipate the acceleration in the consumption of electricity that will take place with the implementation of schemes for rural electrification and energisation of pumpsets. He was even suggesting some time back that the surplus in the southern region would persist for quite some time and there was no immediate need for creating new capacity in a big way in this region. It was however clear all the time that the level of consumption in Andhra Pradesh, Mysore and Kerala was very low and there would be an increase in the demand for power if the same procedures as adopted in Tamil Nadu were followed by these states. Even if the level of consumption of Tamil Nadu is to be achieved uniformly all over the country, there will be need for an installed capacity of 25 million kw thus indicating that there is already a gap of seven million kw which may have to be filled quickly if the potential demand is activised in a short period in areas which have been neglected up to now.

It will therefore be seen that fresh capacity has to be created at the rate of four million kw at least for the next decade. But the question is how this rate of growth is to be achieved. In spite of the technical competence of our engineers and the reputation gained in the construction of hydel and thermal projects, it has not been possible to add more than 1.5 million kw of capacity annually. There has no doubt been a let up in the implementation of many hydel projects while the absence of any anxiety to accord higher priority for thermal schemes until recently has resulted in a slowing down of the pace of construction of many projects just at a time when power consumption was increasing awkwardly. The state electricity boards have of course been experiencing difficulty in planning on a continual basis as their finances are in bad shape in many cases.

When there are inadequate financial resources and physical resources have to be created in a big way it is rather strange that the central government has not been initiating action on an emergency basis. The immediate difficulties have of course to be got over to a certain extent by rectifying the defects in the operations of the existing thermal plants and completing also projects in various stages of construction. But the new targets can be reached only if the health of the state electricity boards distinctly improves and arrangements are also made for importing generating equipment and components and raw materials in large quantities.

On this question there seems to be serious difference of opinion between the different central ministries. The Minister for Industry and Development, Mr C. Subramaniam, has categorically stated that the existing heavy electrical units in the public sector have the required capacity and there is no need for importing generating equipment. On the other hand, the state electricity boards are of the feeling that the delivery periods of the heavy electrical units are unduly long and with the difficulties encountered in getting supplies of forgings, castings and components from indigenous sources and the technical problems involved in designing and fabricating generating equipment only a fraction of the existing capacity is being utilised.

At present only about 35 per cent is fruitful because of various problems. It is of course expected that in 1972-73 the average will increase to over 50 per cent and it may not be quite difficult to produce even 1.5 million-two million kw of generating sets. This, of course, is too optimistic a reckoning. But according to the managements of heavy electrical units it is not merely a question of the availability of generating and ancillary equipment so much as the capability of the state electricity boards to discharge their new responsibilities. Even here it has been complained by the state electricity boards of Tamil Nadu and Maharashtra that progress in their regions has be held up due to the shortage of steel, ceme or delays in deliveries of generating equ ment. Also it has been complained th there has been no proper appreciation their plans for effecting substantial ad tions to the generating capacity.

What is therefore needed is a mu pronged attack for solving many comp problems. There has to be a co-ordi tion of the activities of not only the hea electrical units in the public sector but al of those supplying components and ra materials. It may also be helpful if a ce ral fund is created for power projects that the ministry for Irrigation and Pow can effect quick disbursements to the sta in need for implementing vital projec in consultation with the Planning Comm sion and the Finance Ministry. It will al be necessary to arrange for massive i ports of components and raw materials f feeding the heavy electrical units if the r quired supplies are not forthcoming fro indigenous sources. Apart from securi special credit from the Soviet Union an Czechoslovakia, the government may us fully seek block credits from the inte national institutions for this purpose.

There should also be no hesitation importing completed generating equi ment for two to three million kw in ord to get over the difficulty that may be e perienced when afforts are being made organise the manufacturing programme f fulfilling the new targets. Fortunate there is no major bottleneck in regard the availability of high pressure boile from within the country. The Tiruchir palli plant of BHEL has been acquittin itself creditably and it is now engaged implementing a scheme for raising i capacity to 1,100 mw from 750 mw. Th will be raised further to 2500 mw. there is also another large-sized unit the private sector it may be possible ensure deliveries of high pressure boile if only foreign exchange is provide for importing raw materials which a not available indigenously.

The crisis in the power situation ca therefore be overcome with bold an imaginative planning. There may be com pulsion to spend about Rs 500 crores o imports of generating equipment an components and raw materials. But th expenditure will be fully worthwhile a with the easy availability of power t growth in consumption of petroleum pr ducts can be slowed down. Also the d sired increase in agricultural and industri production cannot take place if there shortage of power. Power planning the next decade should therefore be acco ded the highest priority. If the bottlene in this regard can be eliminated all oth problems can be easily solved.

Outlook for bank credit

ON THE EVE of the 1972-73 busy season, the banking system is in such an extremely comfortable position that the monetary authorities should not have any worry about meeting the needs of industry and trade without the scheduled commercial banks being obliged to borrow from the central banking institution on a large scale by using refinance facilities even during the peak period in March next year. In fact, such a comfortable position had not existed in recent years and for the first time since 1967 banks have virtually no borrowings from the central banking institution even after effecting massive investments in government securities and bonds during the past slack season. As the lending institutions were experiencing difficulty in finding remunerative use for available funds the peculiar situation has emerged in which fresh investments in gilt-edged securities are larger than a fresh growth in advances in the same period. Thus investments in government securities and treasury bills of scheduled commercial banks between June 30 and October 20, 1972 rose by as much as Rs 451 crores against the additions to deposits of Rs 340 crores. Taking into account the support extended by the banking system to the issues of bonds by the statutory financial corporations and state electricity boards, the increase in aggregate investments should have been in excess of Rs 500 crores because of a sharp contraction in advances.

The developments in this year's slack season were of course somewhat peculiar in character because there was a continuing decline in sugar stocks on account of consumption in 1971-72 being an excess of current production. In a twelve-month period sugar stocks alone have declined by nearly 900,000 tonnes releasing funds of over Rs 100 crores. There would not have been however a net decline in procurement credit in the past few months which is an unusual feature. While there will certainly be net sales between August and October of every year out of buffer stocks, as compared to the levels prevailing at the end of October in the past three years, there was always a net increase in the value of buffer stocks. In the latter half of 1972 however the Food Corporation has been obliged to effect sizable sales out of its stocks because of a serious shortfall in the output of foodgrains in the kharif season. It is not even now clear what exactly will be the net drop in production of kharif food crops on account of unfavourable weather conditions. But it has been reported that net sales so far have exceeded those of last year by 2—2.5 million tonnes resulting in a contraction in procurement credit by Rs 200 crores over the usual drop that takes place by disposal of procured foodgrains.

With a decline in inventories in other directions also the banking system has been in search of lenders and the level of advances would have been even lower than what it is now but for an inflation in value of goods to some extent due to higher prices. With borrowings of the scheduled commercial banks from the Reserve Bank negligible at Rs 4.86 crores on October 20, 1972, the Reserve Bank has no reason for anxiety about the developments that will take place in the 1972-73 busy season. The credit policy may be formally announced in the middle of November. However as the Governor of the Reserve Bank, Mr S. Jagannathan, has recently indicated, there is no need for formulating any new policy as, if anything, the situation is abnormally comfortable and it may well happen that member banks may not be obliged to borrow heavily from the Reserve Bank even during the height of the busy season. This is because the anticipated increase in industrial production may not take place as a result of an acute shortage of power all over the country. Even if industrial units succeeded in pushing up their output with a better use of available raw materials and an increase in the operating efficiency of thermal units there will be a brisk absorption of current production. Only in respect of sugar it is estimated that there will be a net increase in stocks by about one million tonnes till the end of March and by 1.2 million tonnes if the industry is successful in achieving a higher rate of recovery and in crushing also larger quantities of cane. But the net improvement as compared to last season may not be more than 500,000 tonnes which would mean that the sugar industry will be accounting for an additional demand of only about Rs 50 crores in the busy season.

Against this there may be a net contraction in procurement credit due to continuing net sales out of buffer stocks till the end of April. Some idea of the quantum of sales that will have to be effected in January-April can be formed only in the light of arrivals against kharif crops and the outlook for rabi crops. If it became clear that the shortfall in production during the kharif season had not been so severe as at first feared, and it could be overcome by an increase in production in the rabi season, there may not be heavy net sales out of buffer stocks in the early months of next year. It can of course be definitely stated that there will be no need for expanding procurement credit as in the last two seasons, a provision of Rs 120 crores being actually made under this head in the preliminary estimates for 1971-72. The actual amount utilised however was much less as the procured quantities were not according to expectations. As it is unlikely that there will be any unusual demand for funds from other directions the new busy season may well prove to be a tame affair.

Even taking into account the slightly slower rate of growth of deposits in the past two months it can be safely expected that fresh additions to resources of the scheduled commercial banks in the six months ending April 1972 will be easily Rs 650 crores. Even allowing for the larger requirements of the sugar industry and the likelihood of a higher level of advances against raw cotton if there is again a bumper crop, the aggregate demand excluding procurement credit is unlikely to be more than Rs 450 crores. If there were net sales of foodgrains out of buffer stocks the net improvement in advances might not even be of the order indicated above. Except for financing the bulge in sugar stocks in February-March next year and the special needs that may arise in the middle of March in connection with tax payments there may not be any undue tightening of conditions in the money market in the coming months. There may not even be any need for liquidating investments for meeting a seasonal increase in demand for funds and it may actually happen that net investments are increased by over Rs 200 crores in a six-month period.

The central banking institution may not therefore be called upon to provide funds against refinance facilities to member banks in a big way at any stage before April next. The surprise if anything may come about in the shape of a net increase in food production in 1972-73. The Secretary to the Ministry of Agriculture has actually stated that aggregate production may be higher by four million tonnes as compared to 1971-72 because of the prospect of an improvement in production of rabi food crops by 15 million tonnes against a decline in production of kharif food crops by 11 million tonnes. This prospect is indeed fascinating though it is unlikely that the estimates will be fully realised. However even if there is no net reduction in total output of food crops in 1972-73 the Food Corporation will find itself in an extremely difficult situation in May-July 1973. There will have to be massive procurement and it may so happen that buffer stocks exceed 10 million tonnes by the middle of July calling for expansion of credit afresh for six million tonnes. This would result in an immobilisation of funds to the extent of Rs 450 crores and there may be a big rise in advances in the earlier months of next year's slack season. The developments in the nine-month period, November 1972 to July 1973, may therefore contain many big surprises.



MODI

TWENTIES HOSIERY

High Quality

COTTON

YARN

MODI YARN MILLS

MODINAGAR (U.P.)

Companies (Amendment) Bill: some reflections

H. R. Gupta

THE COMPANIES (Amendment) Bill, 1972, proposes to make far-reaching changes in the laws regulating the functioning of the corporate system. The purpose of the amendments as disclosed in the statement of objects and reasons is: "to meet cases of such abuse or distortion of the corporate system which have of late assumed comparatively serious proportions." It is said to be the first instalment of remedial measures under contemplation. The provisions of the bill are directed towards curtailing the freedom of action and initiative of the management of companies by compulsions to obtain approval of the government with respect to various matters thereby impinging on the autonomous functioning of companies. This is in spite of the fact that there is clear justification for the motives behind some of the amendments, e.g. to regulate or provide safeguards against take-over of companies, regulation of deposits from the public by the non-banking companies, benami holding of shares, control on the appointment of relations of directors and that of substantially interested sole selling agents, statutory recognition of the appointment of company secretaries in large size companies and regulation of agreements or arrangements between the former managing agents and their erstwhile managed companies.

wider definition

Automatic Conversion of Private Companies into Public Limited Companies: The proposed amendment to Section 43A widens the definition of public companies by including those private companies

(a) where not less than 10 per cent of the paid-up share capital of a private company is held by one or more bodies corporate, or

(b) where the paid-up share capital of a private company is not less than Rs 25 lakhs and the turnover is not less than Rs 50 lakhs, or

(c) where not less than 10 per cent of the paid-up share capital of a public company is held by a private company.

As a result of the new definition of a private company, many existing private companies which are strictly private in character will still be deemed to be public companies. In a large number of cases, private family businesses are operating as private companies. They are formed for undertaking small businesses and small industrial projects and they play an important part in the field of small-scale or medium-scale industry. It would be unnecessary to subject such private companies to the need for compliance with the detailed regulatory provisions of the Companies Act.

unproductive exercise

It appears that even a small private company with a paid-up share capital of a couple of lakhs of rupees and having negligible turnover, holding 10 per cent of the paid-up share capital of another small private company, will convert the said private company into a public company. Further a private company holding 10 per cent of the paid-up share capital of a public company will itself be deemed to be a public company. In such cases, no public interest is involved or affected. Unless the investment in a private company is held by a public company, there is no reason to deem such private companies as public companies. It is also unnecessary to treat small private companies with Rs 25 lakhs paid up share capital and Rs 50 lakhs turnover as public limited companies. It may be unproductive to compel such small companies which are in the nature of partnership with limited liability or family business, to seek the permission of the government in matters such as investments, borrowings, appointment of a managing director or a selling or purchasing agent. The criterion of turnover may not be the proper one to determine whether a company is a private or a public company. The turnover may fluctuate and the company may sometimes be deemed as public and sometimes private depending on the turnover. If turnover is at all to be made the criteria the amount should at least be substantially high to justify the conversion of a private company into a public company.

By the proposed widening of the definition of deemed public companies, over 8000 to 10,000 private companies will become public companies. Apart from huge paper work and unnecessary expenditure, much of the time and expenditure of the government and the managements will be wasted by bringing so many small companies under the regulatory provisions. This may even dilute the control which is intended to be exercised over large companies. We should also make use of the experience of the income tax administration whereby the area of control is now being restricted to major assessees.

The definitions of 'group' and 'same management' appear to be vague. 'Group' has been defined as a group of two or more individuals, associations, firms or bodies corporate or any combination thereof which exercises or has the object of exercising control over any body corporate, firm or trust. It is not clear what is meant by 'the object of exercising control over any body corporate.' Two companies will be deemed to be under the same management if one exercises control over the other or both are under the control of the same group or any of the constitutents of the same group.

vague generalisation

The use of the words 'any of the constituents of the same group' may result in two bodies corporate being considered under the same management if they are controlled by two persons who have nothing in common and whose business interests are entirely different. Supposing a group consists of five persons and the five persons are directors of a body corporate. One of the directors, say, is the director of another body corporate which is engaged in a different industry altogether, the two bodies corporate may be deemed to be under the same management. It must be made clear at least that two bodies corporate will be deemed to be under the same management if they are controlled by a majority of the constituents of the same group and not by one constituent of the group.

Further two bodies corporate may be

deemed to be under the same management if one or more directors of one body corporate constitute (whether independently or together with relations) one-third of the directors of the other body corporate this provision may bring completely independent companies under the same management. For example, if two directors out of a board of twelve in a company are on the board of another company which has a total of say five directors, the two companies will be deemed to be under the same management. This is the common practice in our country to take experienced and knowledgeable businessmen and professionals on the boards of companies in order that their business experience and knowledge may be availed of. Such persons may not have any financial interest in these companies. They may not even get any remuneration except normal sitting fees, nor may they hold any shares as most of the companies do not require its directors to hold even any qualification shares. Further two bodies corporate may be considered under the same management if one holds not less than one-third of the shares (whether equity or preference) in the other. There appears to be no justification for including preference shares which do not carry voting rights while computing one-third of the shares.

main difficulty

Further it is provided that if not less than one-third of the total voting power with respect to any matter relating to each of the two bodies corporate is exercised or controlled by the same individual, whether independently or together with relatives, or by the same body corporate, both bodies corporate shall be deemed under the same management. The difficulty, however, is created by the words "with respect to any matter." For example, in a case if an individual or a body corporate controls one-third of the total voting power only in respect of class meetings of holders of preference shares in two companies, both the companies would be deemed to be under the same management, notwithstanding that the preference share capital forms a very small part of their total subscribed capital. Further it is provided that if the directors of one body corporate are accustomed to act in accordance with the directions of one or more of the directors of the other, both companies shall be deemed to be under the same management. This provision can have unintended implications. If a person has been appointed chairman of the board of directors of two companies, notwithstanding that the chairman has no investment or other controlling interest, it may be construed that directors of both bodies corporate are accustomed to act according to the instruction of the chairman and, therefore, both the companies are under the same management. In order to bring the companies under the management there must be some definite nucleus of control or investment. There must be some business relationship or financial inter-connection with each other as it is absolutely unjustifiable to bring completely different companies under the same management

inadequate premise

Mere existence of common directors should not be considered adequate for this purpose unless the common directors hold substantial interest in the companies concerned. Further the companies should not fall under the same management because of shareholding by the financial institutions. These days substantial portion of share capital in increasing number of companies is held by the financial institutions. Their share of participation in the capital of the companies is bound to increase with the exercise of right of conversion of loans or debentures taken up by these institutions. It should be provided that the shareholding of the financial institutions will not be taken into consideration when applying the definition of the same management.

Under clause 4 of the amendment bill it is proposed to transfer certain powers of the court to the central government. It is no doubt desirable that such functions which are essentially of administrative nature should be transferred from the courts to the government e.g. rectification of register of charges, ordering meetings of the companies under certain circumstances, issue of shares at a discount. However, vesting the power for altering the memorandum in the government needs serious thinking. Prior to 1929, even in England the alteration of the objects of the memorandum was not effective unless confirmed by the court. The position was subsequently altered and the members, by passing a special resolution, can alter the memorandum of association, without reference either to the court or any government authority. The dissenting members have, however, a right to approach the court for cancellation of the alteration on an application by holders of not less than 15 per cent of the issued share capital. The proposed amendment, however, completely over-rules the authority of the shareholders to decide such questions of amendment of the memorandum. Even the high courts in India have categorically held that the discretion which the court has to use is a judicial discretion and the courts may in exercising this discretion have regard to considerations of business morality or national interest. It is, therefore, desirable that the power to confirm the alteration of the memorandum of association should not be vested in the government.

Clause 16 of the Amendment Bill provides for transfer of the amount of dividends declared to a special account with a scheduled bank within 7 days, declaration of dividend out of reserves in accordance with the rules to be prescribed by the central government and in special cases with the previous approval of the government and transfer of unclaimed dividends to the general reserve account of the government. The amendment is intended inter alia to prevent companies from declaring dividends when no profits in the shape of liquid funds are readily available. Even under the present law the dividends can only be declared out of profits and must be paid within 42 days. The violation of these provisions can involve imprisonment of directors and fine. The directors of a company dare not declare a dividend unless profits in the shape of liquid funds are readily available. The companies have to avail of overdraft facilities from the banks for working capital requirements. The profit generated from their working until they are distributed as dividends, are used to reduce the overdrafts with the banks.

unreasonable restriction

If the amount of dividend has to be remitted before the expiry of 42 days to the bank in the first instance, the companies will lose interest at the rate of 11 to 12 per cent on the amount of dividend which is neither in the interest of shareholders nor that of the companies. The restrictions on the managements to declare dividend out of reserves i.e. accumulated profits of the past years, is an unreasonable restriction and a restraint on following a prudent policy of carrying a part of their profits to reserves in prosperous years. The dividend policy depends on immediate and future requirements of funds by the companies, the need to provide contingency reserves and to follow the consistent policy with regard to declaration of dividends. The companies should be able to pay dividends to the shareholders in lean years as well. The dividend policy should check the speculation and violent fluctuations in the

prices of shares. It must be considered that the body of shareholders is not static for ever. If a company maintains good reserves and a satisfactory record of regular dividend payments, these considerations are taken into account when the existing shareholders wish to sell their shares.

It is not understood what purpose is to be served by providing that the unclaimed dividends after a period of three years should be transferred by the company to the general revenue account of the central government. This provision is absolutely illegitimate. The money belongs either to the shareholders or to the company, the government has taxed these profits. How can this amendment be in the interest of the shareholders, if they have to prefer their claims to the government? I am sure that no shareholder will vote for such an amendment. How can there be any misuse of the unclaimed dividends except in the interest of the company and in the interest of the shareholders and particularly, when the money is supposed to lie with the nationalised banks? It is just and equitable that the unclaimed dividends should be allowed to be used by the company for the benefit of all existing shareholders until claimed by the shareholders concerned. Instead of creating such combersome procedures, the government has already powers to enquire into any misuse of unclaimed dividends and take the guilty to task. Further, these provisions should not all apply to private companies or to public companies other than those whose shares are quoted on any of the stock exchanges.

useless information

Clause 19 provides that the report of the board of directors shall include information in respect of employees getting remuneration of Rs 36,000 per annum inclusive of the value of perquisites. It is not understood what purpose will be served by including this information, running in some cases into many pages in the directors' report. The government has already access to this information through the income tax returns filed by the companies. The number of employees drawing remuneration above Rs 2,000 is already required to be disclosed in the accounts. The appointment of relations of the directors on remuneration of Rs 3,000 or above per month is now being subjected to government approval. This information is absolutely unnecessary. If the government consider it necessary, this information must be confined in respect of employee drawing a remuneration inclusive of perquisites, of at least Rs 50,000 per annum and to such employees who are related to the directors.

There is also no reason to take away the exemption in favour of legal or technical advisers which at present is available under section314. In any case restrictions as to appointment should not be applicable in cases where a legal adviser/solicitor etc. is carrying on his business regularly for a certain minimum period say three years prior to their appointment by the company concerned.

appointment of auditor

Clause 20 provides that a retiring auditor shall not be reappointed without the approval of the government if he or the firm in which he is a partner has been auditor of the company for three consecutive financial years. If 25 per cent or more of the subscribed share capital of a company is held by the central or state government or public financial institutions, nationalised banks or insurance companies or any combination thereof, appointment or reappointment of the auditor will have to be approved by the central government every year. The proposed amendments are being introduced to prevent concentration of audit in a few established firms and to discourage close association between the auditors and a group of companies. There was a time when the appointment of auditors was considered a necessary evil by the managements. Gradually their professional services came to be relied upon for improvement and development of the accounting systems, internal controls, management reporting systems within the organisations. It appears we now want to turn the wheel by curbing the choice of the managements as to the appointment of auditors. The auditors of a company have to have adequate knowledge of the industry, the processes of production, problems relating to inventories, wastages and by-products etc. and thorough knowledge of various books and records maintained by the company and the agreements entered into.

All these take time for a new auditor to pick up. Do we wish to create a situation where the proposed amendment would lead to deterioration in the standards of quality of audits in which neither the public nor the government will be interested. Should this drastic change be introduced simply because a few cases of neglect of duty on the part of some auditors have come to the notice of the government. In view of the vast powers of inspection vested in the registrar and the central government, apart from disciplinary powers exercised by the autonomous body of the Institute of Chartered Accountants of India, will a normal auditor indulge in doubtful activities at the risk of losing his certificate of practice and undergoing the risk of other penalties. It should also be considered that the government has already a very large sector of government undertakings, nationalised banks and insurance companies where the appointment of the auditors is controlled. We can however consider some of the other suggestions to prevent concentration of audit and to give more opportunity to the junior members of the profession.

(i) Instead of retiring an auditor at the end of the third year, the number of company audits each chartered accountant could attend may be fixed. Such restrictions are already on the company's statute; for example a director can not hold the office of director in more than twenty companies. A managing director cannot hold office in more than two offices. The secretary of the company is now required to confine himself to one company alone.

(ii) In the case of larger public companies, say, where the subscribed capital is more than Rs 2 crores and turn-over is more than Rs 4 crores, the companies may be required to appoint at least two joint auditors. The concept of joint audit could also be tried, whereby a public company with a prescribed capital will have two auditors, one appointed by the shareholders and the other by the government.

(iii) The government can prescribe for compulsory appointment of chartered accountants to be incharge of accounts in the case of public limited companies.

(iv) To protect the interest of minority shareholders, provision can be made that the retiring auditor shall not be eligible for re-appointment where 75 per cent of the number of shareholders in a company desire change.

(b) It is suggested that the private limited companies should be left out of the provisions of the proposed amendment as no public interest is involved in their cases.

(c) Further there is no justification for requiring the approval of the central government to the appointment of an auditor every year in case of companies where

financial institutions, government etc. hold more than 25 per cent capital. This class of shareholders have also a right at a general meeting to exercise their voting power in favour of appointment or reappointment of an auditor and their combined voting power in a majority of large companies is bound to be more effective than that of all other shareholders. Period of tenure for an auditor is essential if efficiency in audit of companies has to be ensured.

(a) The proposed Section 294.AA provides that the central government may by notification specify the commodities in which sole selling agents shall not be appointed. This provision ignores the practical aspect of the problem. It takes two to three years for building up an efficient selling organisation. No such organisation can be built up unless there is a guarantee of continuity for a reasonably long period.

The appointment of substantial interested parties as selling agents has been made subject to the approval of the government but the substantial interest is defined as beneficial interest held by a director or his relatives, whether singly or taken together, in the shares of the company of aggregate value of Rs 5 lakhs or 5 per cent of the paid up capital of the company whichever is lesser. I do not know whether the use of the word 'Lessor' is deliberate or a mistake of the draftsmen. In respect of many sole selling agency agreements, subscription to the share capital in some form or the other is one of the important considerations. Further, investment of Rs 5 lakhs in a large company will constitute a very negligible percentage of the subscribed capital. In any case, the substantial interest must be linked to a reasonable percentage of the paid up capital of the company, if the object to be achieved is unnecessary diversion of funds to the parties having controlling or substantial interest in the companies concerned.

(b) Further the requirement of seeking government approval to the appointment of sole selling agents by companies having paid up capital of Rs 50 lakhs or more should be restricted to the parties who have either substantial interest in the company or such parties in which the directors are interested. The private companies should be exempted from the provisions of this section.

10. The amendment to Section 297 prescribes that in the case of companies with paid up capital of Rs 25 lakhs and above no contract shall be entered into *inter alia* with the relations of directors or a firm in which a director or a relative is partner, any partner in such a firm, or a private company in which the director is a member or director, except with the previous approval of the central government. In actual practice this would mean a total embargo on such contracts. It must be appreciated that the relations of directors or other companies may have independent business of supplying goods and services in the normal course of business. The company may be in need of urgent supply of stores and materials which may be readily available with firms or private companies in which a director may be interested or his relative may be a partner or director. The companies will not be able to enter into any transactions with such parties if the prior approval of the government is required to contracts with such parties. Unless the director is directly or indirectly in receipt of any benefit out of such contract, it should not be necessary to seek approval of the central government. This provision should not also apply to private limited companies. There is also a provision in the Income Tax Act whereby any dealings with companies in which the directors are interested are examined to see that the transactions are at the market rates.

It is recognised that company law is not a field of legislation in which finality can be expected. Also it is undisputed that the interests of the public and the minority shareholders must be safeguarded. At the same time, the proposed amendments require very serious consideration and reappraisal by the government if undesirable curbs and restraints which inhibit the growth of companies in the private sector are to be avoided.

Dandekar on unemployment

R. V. Murthy

WHAT ARE THE facts of our employment situation as disclosed by the progress we have made over the past decade i.e., 1961-1971? What is the situation that faces the country today? Is the approach of the authorities to meet this situation the right approach? If not, what is the right approach? These questions were squarely faced by Dr V.M. Dandekar, Director, Gokhale Institute of Economics and Politics, Poona, in his A.D. Shroff Memorial Lecture in Bombay.

The main facts of the employment situation as summed up by the eminent economist are that, during 1961-71, the male population increased by 25.2 per cent., the number of male workers increased by 15.2 per cent, the number of agricultural workers increased by 19.8 per cent; the number of non-agricultural workers in the organised sector increased by 42 per cent, and the number of non-agricultural workers in the unorganised sector declined by 6.7 per cent. To put it differently, the male labour force in 1971 was 150 million workers, of whom 100 million were employed in agriculture and the rest in the non-agricultural sector. Of these 50 million in the non-agricultural field, 20 million were employed in the organised sector and 30 million in the unorganised sector.

Dr Dandekar's thesis is that we must stabilise the number of agricultural workers at the present level of 100 million and not impose any further employment burden on this sector, which is understandable. But what does this amount to? It means that all additions to the labour force henceforth must be absorbed in the non-agricultural sector. In terms of actual number involved (taking the growth of population in the current decade 1971-81 at 25 per cent), by 1981 the non-agricultural sector must provide for an additional 37.5 million male workers. Put differently, employment in this sector must increase by 75 per cent that is at an annual rate of 6.8 per cent. Is this feasible? The experience of 1961-71 shows that, in the non-agricul-

tural field, it is only in the organised sector that employment increased, whereas in the unorganised sector there was actually a decline. So the problem boils down to this, namely that the organised section of the non-agricultural sector, which provides employment to 20 million now, will have to absorb all the 37.5 million new entrants to the labour force and perhaps a couple of millions more rendered unemployed in the unorganised sector. To absorb these 40 million additional workers during 1971-81 it will require an increase of 200 per cent over the decade which amounts to an annual rate of growth of 11.6 per cent in industrial employment. Although as things are in India, that is, when industrial employment during 1961-71 could expand only at a rate of 3.6 per cent per annum, this rate may appear to be very high, it is not impossible, inasmuch as other countries have achieved it. But Dr Dandekar is convinced that neither the crash programmes of employment of the present government nor the proposed short-term measures are conducive to such growth. He is unsparingly critical of such crash programmes as the proposal to work all the seven days of the week to augment production and employment by 16.66 per cent immediately. Nor is he convinced of the feasibility of the so-called short-term measures, and the reasons he adduces for this view of his are indeed noteworthy.

main aim

Now, the main idea underlying these short-term measures is immediate expansion of both production and employment by a fuller utilisation of the existing industrial capacity, and this, it is fondly presumed, can be done without much additional investment. Dr Dandekar neatly explodes this belief by giving the reasons, both internal and external, for the under-utilisation of existing industrial capacity and indicating what is needed to set things right. The principal internal circumstance inhibiting the full utilisation of the production capacity of a plant, according to him, is that the machinery and equipment of the plant is not balanced, and this has to be first set right by supplementing and strengthening the capacity of interrelated machines and equipment which may not be of the same capacity or calibre. The supplementary investment this calls for, we are told, often turns out to be not *quite marginal*. Since to correct the existing imbalances is nothing but building on the foundation of faulty decisions as to production, choice of technology and purchase of expensive imported machinery, and even this may have to be done to salvage the bad investments already made, it follows that the additional investment and the short-term measures needed would not be quite as marginal or quite as short-term as is often believed.

shortage of inputs

As for the external reasons for under-utilisation of the existing plant capacity the learned lecturer listed shortages of inputs and supplies—raw materials, power, transport, etc.— and lack of demand for the output of the plant, both inter-industry demand and final consumer demand. For obvious reasons, he noted, the imbalances in the production of different industries are not easy to remove, certainly not by the much-bandied-about short-term measures. In the opinion of Dr Dandekar, the lack of final consumption demand for the output of industries is something of a paradox. "While a large part of the consumer demand remains unsatisfied, there exist, side by side, production capacities in some industries for which there is lack of consumer demand". Here, again, he said, is another case of imbalance in the economy. It is not an inter-industry imbalance but an imbalance as between the deployment of production capacity and consumption needs, which is far more serious than the inter-industry imbalance, and, for that reason, not amenable to the short-term-measures treatment.

Dr Dandekar referred to industrial labour unrest as one of the important reasons for the under-utilised capacity of plant in many of our industries, although he did not seem certain as to whether the suggestion that urgent steps should be taken to discipline industrial labour fell under short-term or long-term measures. He was, however, certain that, although industrial employer in the country has always been powerful *vis-a-vis* industrial labour, especially in the context of a large army of the unemployed, industrial labour has been getting increasingly organised and improving its bargaining position, so that it has become a class struggle in the right sense of the term — a struggle to decide how the value added in the industrial production is to be divided between profits and wages and shared between the employer and the worker. Dr Dandekar's sympathies are unmistakably pro-labour, but he did not allow this to minimise the harm to industrial production caused by class conflict. Thus, he did not hesitate to say: "Both parties seem to have power to cut down, if not stop altogether, the production and both seem to be engaged in doing this without a thought of what happens to the whole economy and to the large mass of the unemployed". Surely, as he added, the country cannot afford this class conflict at the present juncture. "If the conflict is detrimental to our economy in its present stage", he went on, "the conclusion is not that collective bargaining on the part of labour is detrimental and should therefore be curbed, but that free enterprise is detrimental to the economy and therefore needs to be curbed". Is not the distinguished economist aware that, even as it is, there are all manner of curbs on free enterprise? And, in this connection why did he not also refer to the innumerable restraints that curb production and, therefore, employment?

Dr Dandekar's objections to crash programmes and short-term measures are not merely on the score of feasibility but seem to be even more fundamental. If we concentrate too much attention on these, he says: "we are likely to overlook the more fundamental imbalances that have developed in the economy: imbalanlance between production capacities of



different industries and imbalance between deployment of the productive capacity and the needs of consumption". This leads him on to the problem of fixing targets of production of different commodities, and these, according to him, have to be determined by the present and future needs of consumption of the population — not by just estimating the present consumption and projecting it to a given future date on the basis of estimated increase in the *per capita* national income. And, in the new context, Dr Dandekar also feels, "the needs of consumption must be determined on the basis of a certain national minimum to be assured to everybody". For this purpose, he wants all the natural resources, capital and labour of the country to be suitably deployed to ensure the national minimum *as early as possible and as fast as possible.*

So much for planning for the production of necessary commodities, but this is not enough to ensure the desired minimum, says the learned doctor. For this purpose, he wants the total national expenditure to be divided into private expenditure and public or "socialised" expenditure so as to take care of both planned production and effective demand. In his opinion, this has not happened so far; what has happened instead, is that the choice of output has got distorted, while the choice of technology, "is made in order to create a small exclusive high-income sector. The entire industrial production gets geared to the growing incomes and needs of this sector," the organised sector of today, consisting of the entrepreneurs, the owners of capital, the managerial class and the workers led by their powerful trade unions. Though together constituting only a ten per cent of the labour force, these "have monopolised the entire economic apparatus and are using it mercilessly to their own selfish ends. The facade is provided by the socialist planning. The drama enacted is one of class-conflict and the march of industrial workers on the socialist path. The fact is that a small organised sector, aided and abetted by the politician, is busy feathering its little nest to the exclusion of the unorganised masses."

All this would not have happened if effective demand had been created by providing gainful employment. It is on creating effective demand, therefore, says Dr Dandekar, that the case for full employment is based. Once the conditions of effective demand are fulfilled, he is generous enough even to concede production tion to the market forces. Thereafter, he says, production planning and choice of technology become merely technical matters which too are probably better looked after by the entrepreneurial and the managerial class than by the bureaucrat, and the politician. But he seems to forget that it is the bureaucrat and the politician, who are fully entrenched today, that have to make the government concentrate its energies and efforts on creating effectives demand for the nationally desired c sumption. They would no doubt be g to acquire command over the necess part, if not more, of personal incomes finance the needed "socialised consu tion", as suggested by the doctor, but they in a position to assure minimum comes by offering gainful employment all those who cannot be employed in normal production apparatus at prese

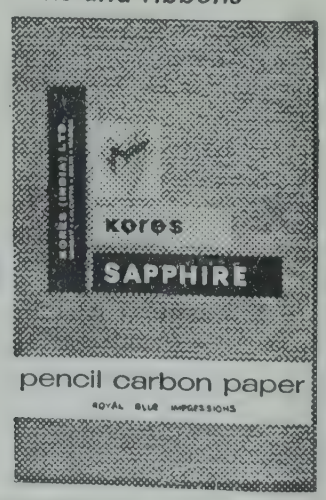
In the first place, it is obvious, they not even know how to go about it, a how much more competent they wo become after reading and digesting Dandekar's illuminating address is a body's guess. With due apologies to learned economist, to solve the econo ills of this big country, it is not enou if the small organised sector, which too constitutes only 10 per cent of the labo force, as he observes, accepts lower sta dards of living, if the entrepreneurs a the owners of capital accept lower prof if the managerial class accepts lower sa ries and if the workers accept lower wag As Mr N.A. Palkhivala, the President the Forum of Free Enterprise, summed in his concluding remarks, for a succe ful solution of these ills, a thorough orientation of our national character called for, and this means sacrifice on t part of everybody and not merely those listed by Dr Dandekar — sacrific undertaken freely and willingly in ord to give this country the pride of place so richly deserves in the comity of nation

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asia72

ASIA 1972 is the Third Asian International Trade Fair, the early two having been held at Bangkok and Teheran. Besides being the most ambitious exhibition undertaken by our country it can lay claim to more international participation than the Bangkok and Teheran fairs. What is more, this fair is like a mirror in which the economic progress of Asia can be seen. As was expected our country is a major participant as industrial units both in the private and the public sectors have put up dazzling pavilions along with special pavilions of the states and also of the central ministries.

Asia 1972 is a business fair in the sense that both Indian and foreign firms expect to enter into agreements for the sale of a number of industrial goods and commodities. The fair also promises to be highly educative and informative. A visit to various pavilions provides one with extensive information about progress achieved so far in various fields of industry by different participants. While on the one hand traditional industries including handicrafts have been displayed in some of the pavilions, on the other Asia 1972 exhibits some of the most advanced products of industrial ingenuity. The exhibits from industrially advanced countries provide a glimpse of rapid strides which sophisticated industries such as electronics and telecommunications have already taken.

Trend Setter

The address of the Prime Minister, Mrs Indira Gandhi, while inaugurating the fair on November 3, 1972, can be described as a trend-setter. She brought out in clear terms the dilemma of the developing countries which have for decades depended on the exports of raw materials and primary products to industrialised countries in exchange for modern goods for the consumption of small, affluent and elite groups. In a way the people of these countries as a whole did not participate in or benefit from this trade in any specific way. This pattern, said the Prime Minister, is now changing but far too slowly. The developing countries are making determined efforts to diversify and modernise their economies. However, the prevailing conditions in international life and trade do not favour the growth of trade for developing countries. While two-thirds of mankind live in the developing countries, their share in international trade is as low as 17 per cent which is likely to decline further in the coming years. "The richer countries have to change their present attitude and policies and make possible the increasing participation of the developing countries in world trade", added the Prime Minister. While it is necessary that the developed countries should hold out their hand of friendship in expansion of trade and economic co-operation, it is also necessary that the developing countries should change their policies in keeping with international trends. If Asia 1972 should inspire the developing countries to shift to sophisticated industries for exports, it will have served one of its major purposes.

Four Groups

Broadly the pavilions in the fair can be divided into four groups. To the first group belong the large number of pavilions set up by the ministries of the government of India and the public sector undertakings which portray the achievements of the various ambitious projects undertaken by the government during the past 25 years. The second group is that of state governments which through liberal assistance from the centre and through their own efforts have tried to take their resptive states on the road to economic progress. The large number of private sector companies in different industries have given a good account of themselves through tastefully laid out pavilions, a majority of which displays consumer goods both for the domestic market and for exports. Lastly there are 47 countries which have put up their pavilions in this fair to show not only the progress that their economies have made but also the various steps which are being taken by them in order to encourage their bonds of trade and co-operation with India and other countries. The absence of the pavilions of the USA and the UK has been felt keenly. The non-participation of the USA is understandable in view of the strained relations between the two countries but there does not seem to be any justification for the absence of the UK. The case has been made out by the spokesmen of the UK High Commission here that Britain is keen to participate in specialised fairs for promoting trade between the two countries and does not feel extremely interested in a general fair of the type that Asia 1972 is.

Combined Function

Asia 72 was originally conceived as an international trade fair, but was later modified to combine a fair and an exhibition designed to complement the silver jubilee of our independence. The original proposal thus underwent a change to include a theme complex, with emphasis not only on trade and merchandise but also on a balanced presentation of different walks of life, projecting the totality of Indian achievement since Independence. It was also decided that the occasion would be utilised to house a Nehru exhibition permanently at the fair site.

Of the buildings at Asia 72, the most important is the Hall of Nations, a pillarless construction covering 256 feet square and rising to a height of 102 feet. Such a building has never before been attempted in this country. The Hall also has an L-shaped mezzanine with a display area of about 40,000 sq ft. at a height of 22 ft from the ground.

The Hall of Industries, located close to the Hall of Nations, is designed as three such similar units but of a smaller magnitude, covering 150 feet square and reaching up to 60 feet.

The layout of the whole campus has been patterned on straight grids with four main entrance gates leading to the grounds through wide three -lines promenades. Four green areas, with restau-

rants and shopping facilities, have been so located that the entire emphasis is directed towards the Hall of Nations.

The highlight of Fair Planning is the permanent complex, comprising about 40 out of a total 140 acreas. The complex includes the Hall of Nations, the Hall of Industries, the Nehru pavilion, the theme pavilion, the Textile pavilion, an open-air chowk, the main Fair restaurant and a warehouse. This complex, with an ultimate covered area of 600,000 square feet makes India eligible for membership of the Union of International Trade Fairs, Paris. Delhi would thus become a recognised venue for regular international trade fairs of a general or specialised nature.

The cinema-cum-theatre, theme pavilion, restaurant and open-air chowk form a separate art complex. The cinema can accommodate 400 persons. The theme pavilion consists of two big auditoriums. The chowk can accommodate 5,000 to 6,000 persons at a time and will enable participating nations to hold their National Day celebrations and their social and cultural funetions there.

Graphic Symbol of the Fair

The Buddha's upraised palm in "abhayamudra" — gesture of benediction— has been chosen to bless the Third Asian International Trade Fair, aimed at pro-



moting worldwide goodwill and co-operation through trade and commerce.

The graphic symbol, inspired by a 9th century AD stone carving, was chosen from among several hundred entries in an all-India competition.

Narendra Srivastava, a 41-year-old artist now working with fashion designer Pierre Cardin in Paris, created this functional symbol, imaginatively incorporating typography in it. This was but natural for Srivastava, for he specialises in translating Indian symbols and alphabets into eye-catching contemporary visual motifs.

His use of the letters TAITF (Third Asian International Trade Fair) to form the integrated symbol of the palm and fingers made it the inevitable choice, acclaimed by one and all.

The small "t" as is evident in the symbol, has been extended to form a part of the outline of the Buddha's hand. The other side is made up by the skilful use of the letters "A", "I" and "F".

Theme Pavilion

The Theme Pavilion, conceived as homage to the silver jubilee of Indian Independence, provides a computerised spectacle through 33,000 feet of film and 30,000 slides. In about 30 minutes it enable spectators to make a discovery of Independent India. The very latest achievements in electronics and visual arts have been blended to provide a kaleidoscopic presentation of the Indian saga from the remotest past to the present day.

This visual presentation telescopes in a unique manner the glory that is India — the landscape, the people and their culture, their transition through centuries, their achievements and their aspirations. It has been produced by the National Institute of Design, Ahmedabad, and Czech experts from Art Centrum of Prague led by Prof Jaroslav Fric.

Architects describe the Theme Pavilion as an "envelope" containing the most sophisticated electronic equipment used to present a half-hour programme the like of which has not been seen before in India. The building has a simple, functional structure with an exhibition hall sandwiched between two auditoriums. Its wide marbled entrance and enchanting plaza add to its elegance. In the exhibition hall, snow-white marble from Makrana and black marble from Chittor have been used for the flooring.

Groups of 350 spectators are ushered into the first auditorium. There are no chairs in it, as the programme is of short duration of about 12 minutes.

The group then moves on to the exhibition hall, where it sees some of the rares priceless art treasurers assembled fro museums all over India. It then enter the second auditorium, where it witnes the second part of the programme. Fre groups take the place of the precedin ones to ensure continuous movement.

Special mirrors and lighting in the e hibition create a rotational and three-d mensional effect in the exhibition hal Sculptures, terracottas, stuccos and paint ings have been brought from the museum in Khajuraho, Nalanda, Patna, Calcutta Tanjavur and New Delhi. Architecturally the hall's main feature is that it has "suspended roof". Its floor area is abou 4,000 square feet.

Auditoriums

The two auditoriums have rubberised nylon foam covering the walls. Its deep semi-circular cinemascope screens are im pressive. They are 60 feet wide and 2 feet high. Two cinemascope projectors and 64 slide projectors are operated by just one technician with the help of push-buttons.

Two hidden computors synchronise the audio-visual elements of the grand show The timing is perfect. Two of the tracks on the four tracks tape provide sound and music, while the other two tracks act as guidelines for the computers to achieve split-second synchronisation.

The programmed projection technique does not use the conventional cinema reels. Instead, film loops are being used to ensure that the electronic master brain of the projection system keeps on running the films automatically once it is ordered to go ahead.

The projections have been programmed both in English and Hindi. Programmes in both languages will run in alternate weeks as substitution of programming and resetting the entire loop system are involved.

The impact of the audio-visual presentation, including movie projection and fast changing auto-slide projection is tremendous. The spectators are exposed to Indian life in full movement and colour.

The technique of "multiple projection" is being used for the first time in India. Spectators see a mass of images in rapid succession on the giant screen and the movie simultaneously. The overall effect is that of an objective image of the totality of the Indian experience.

The Czech team's approach to the Indian assignment is in the nature of an enquiry by a common man who wants to know who he is, where he comes from



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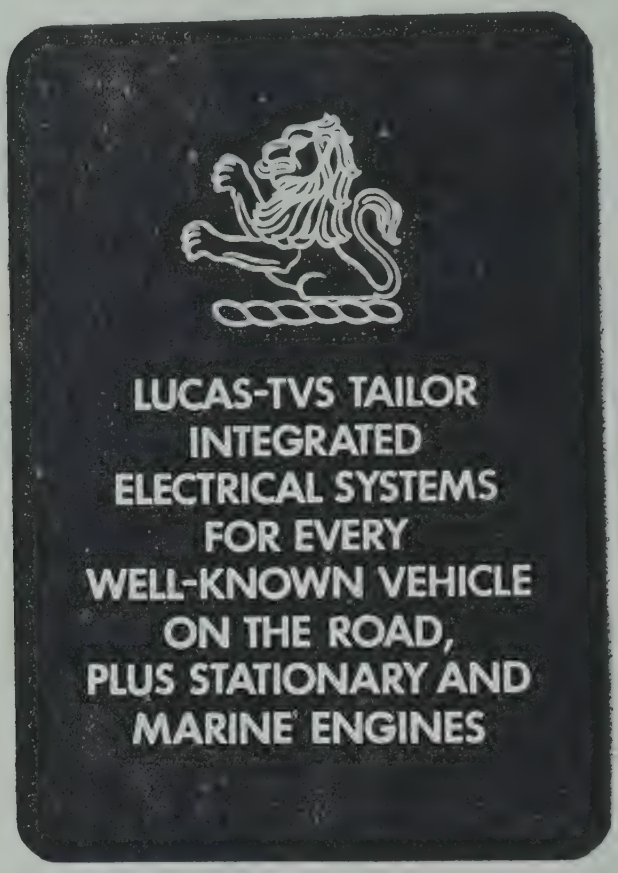
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and what his future is. The parnorma includes India's saints and sages, the legion of kings, social reformers and political thinkers.

The message is "in unity lies strength". As the internationally known scenographist leader of the Czech team, Prof Fric, puts it: "Alone, the Indian is just like a drop in the ocean. But 600 million Indians form mighty river of progress and have a glorious destiny."

From the cinematic point of view the feature film projection at the pavilion is a triumph of technique and should be of great interest to all connected with the film industry in the country. More than 80,000 feet of film was shot over locations ranging from Kashmir to Kanyakumari by an Indo-Czech team. Film shooting itself was multi-dimensional, with the aim of giving a projection panorama of 180 degrees, much wider than the broad vision of cinemascope projection. Two cinemascope cameras, operating from the same shaft at a distance of 60 feet, were used to pan high-powered camera eyes simultaneously on landscapes and human beings to "capture" them alive. Editing of the film for perfect synchronised projection was again a tremendous task. The original 80,000 feet were reduced to almost half the length to produce crispness in the presentation of Indian life and aspirations.

The shooting expedition covered the temples of Khajuraho, the Ganga, the ghats at Varanasi, Sarnath, Bodh Gaya, major industrial projects all over India, and dance, music, drama and culture. The entire film processing was done in Prague.

Nehru Exhibition

The touring exhibition "Nehru and New India", which first opened in New York in 1965 and later travelled to other world capitals, has been brought to India, to be housed from now on in the Permanent Complex of Asia 72.

The original exhibit, as shown abroad, was conceived and put up within six months of Jawaharlal Nehru's death. The Fair authorities felt that in the subsequent years much had been added to it to give a proper appreciation of Jawaharlal Nehru's stature in India's history and also as a statesman of the world.

Since Asia 72 has been designed to complement the Silver Jubilee of India's independence, the Nehru Exhibition was considered a fitting tribute to the memory and legacy of the nation's Man of Destiny.

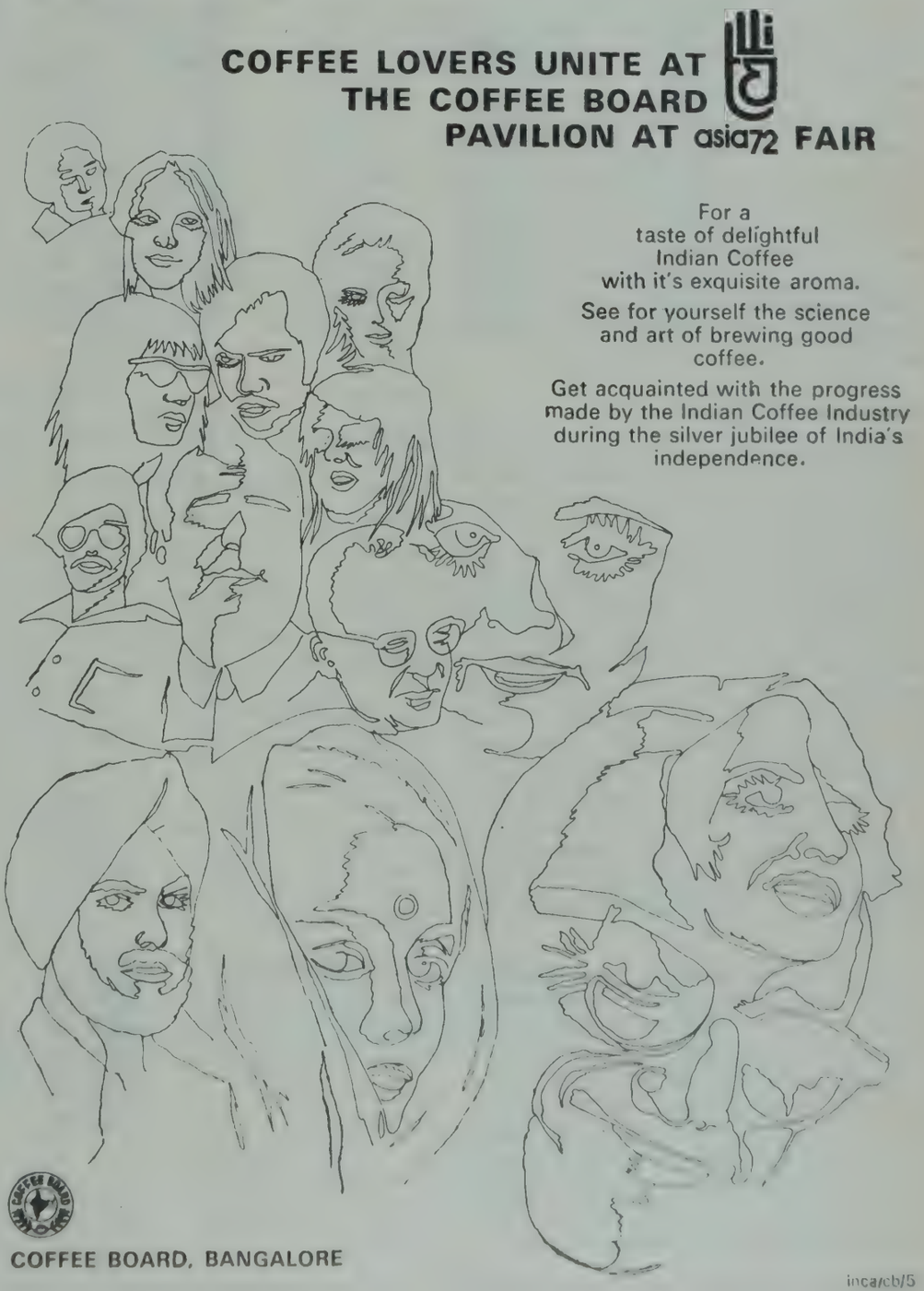
The Fair authorities decided to enlarge the scope of the original exhibition to Indian culture, developmental activities and a more coherent presentation of various aspects of India's foreign policy to enable the exhibition to provide a total perspective on Nehru's contribution to national resurgence and also to the cause of world peace.

The content of the Exhibition has been further enriched by adding to it tape-recordings of Nehru's voice and large volume of documentary film footage available in India.

The exhibition is housed in a pavilion constructed specially for the purposes at an estimated expenditure of Rs 10 lakhs and covering a floor area of 10,000 square feet. It is intended to provide for a large intake of visitors, possibly around 40,000 a day.

The Nehru theme has been set in the frame of Indian design, but the idiom is modern. Attempts have been made to salvage as much documentary material as possible, pertaining especially to the freedom movement.

When put up in New York, this exhibition attracted a daily crowd of 10,000 to 12,000 which was regarded as good by attendance rating experts there. The Nehru exhibition will be on view permanently after the Fair is over and is expected to be a major attraction of the Permanent Fair Complex.



India in ECAFE

V. Balasubramanian

As INDIA plays host to 47 countries, drawn from all the five continents, at the Third Asian International Trade Fair in its national capital of New Delhi, its thoughts and hopes must naturally turn towards the challenges and opportunities that may lie ahead of it in the economic future of the ECAFE region for which this Fair has a special significance.

India's leaders and statesmen have never made a secret of their aspiration that it should play a constructive and creative role, commensurate with its capabilities and potentialities, in a common endeavour of the ECAFE countries to promote their individual and collective economic progress through regional co-operation and a pooling of their resources, energies and experiences.

As is so often the case with grand designs, here, too, much more remains to be done than has been achieved or even attempted, although years have passed since the basic institutional arrangements for initiating and guiding this process were put into shape in 1947 when the Economic Commission for Asia and the Far East was set up in Bangkok as a specialised agency of the United Nations.

Disappointing performance

In particular, very little has been done in terms of conscious or concerted action in the region to promote the complementary elements in the economies of the member-countries as against their competitive aspects. This is all the more disappointing since, as early as in 1955, ECAPE did take up for serious consideration the question of creating effective machinery in its secretariate for assisting the governments of member-countries in securing some measure of regional coordination in their respective national development plans. The attempt was more or less stillborn since the participating governments were not ripe, politically or psychologically, for the kind of emotional and intellectual discipline thus demanded of them.

It is doubtful that the basic thinking has been changed materially over the intervening 17 years. On the contrary, both development, planning and economic development have tended to course differently among the different ECAFE countries so that the trend has been away from conscious co-ordination than towards it. Nevertheless the regional concept more than lingers; it does seem to live, at least as an idea for a relevant future.

There is, for instance, a recurring hope of a South-East Asian common market. Especially as the countries of COMECON and those of EEC have demonstrably succeeded in achieving a high degree of economic integration, mainly through regional co-ordination or freedom of trade, it is increasingly being asked in the South East Asian countries whether they could afford not to explore the economic benefits of expanding regional trade — and, quite often, the answer is that there is no wisdom in the countries of South-East Asia endlessly hesitating to pledge their collective resources of economic statesmanship to the task of strengthening and stimulating their regional economic personality by adapting or building upon the techniques of the established trading blocs.

Meanwhile, India, grappling with the clashing claims of its complicated economic priorities, has still been able to pay some attention to improving its trade with other countries in ECAFE region and register modest success in this direction except that, whereas India's exports to these countries have been steadily rising over the four years ended March 1971, this trend has suffered a reverse in the following year. This experience however, is consistent with the performance of the nation's aggregate exports in this period. It is worth noting here

India's Trade Within ECAFE

(Rs in crores)

Year	Imports	Exports	Trade Balance
1951-52	251.40	205.22	— 46.18
1952-53	127.79	171.04	+ 43.25
1953-54	113.86	125.51	+ 11.65
1954-55	164.52	126.82	— 37.70
1955-56	140.86	151.35	+ 10.49
First Plan :			
Annual Average	159.69	155.99	— 3.70
1956-57	149.37	126.81	— 22.56
1957-58	196.81	130.05	— 66.76
1958-59	177.96	132.12	— 45.84
1959-60	168.41	142.82	— 25.59
Second Plan :			
Annual Average	174.37	134.83	— 39.54
1961-62	196.93	151.98	— 44.95
1962-63	204.00	144.85	— 59.15
1963-64	189.18	184.95	— 4.23
1964-65	202.12	176.89	— 25.23
1965-66	215.43	158.63	— 56.80
Third Plan :			
Annual Average	201.53	163.46	— 38.07
1966-67	339.15	241.48	— 97.67
1967-68	288.88	270.85	— 18.03
1968-69	329.05	342.17	+ 13.12
1969-70	260.66	378.10	+ 117.44
1970-71	264.25	410.29	+ 146.04
Feb-April :			
1970-71	233.50	373.20	+ 139.70
1971-72	330.41	352.19	— 21.78

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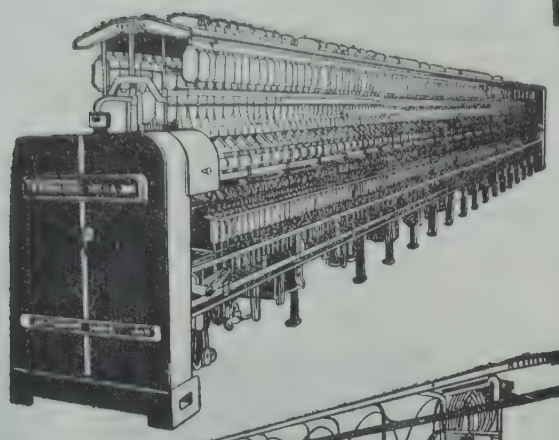
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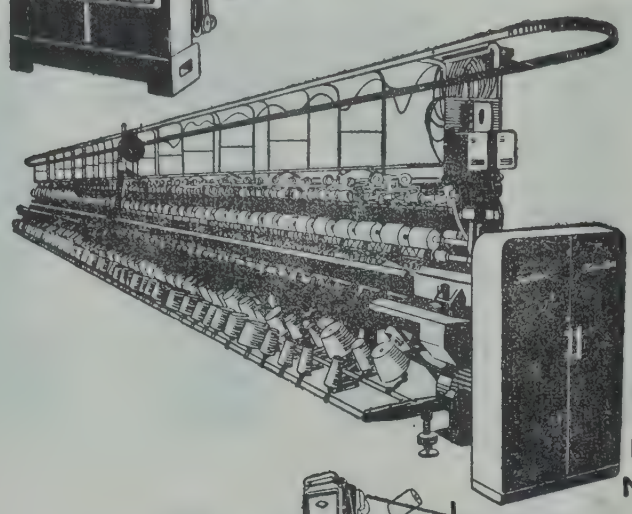
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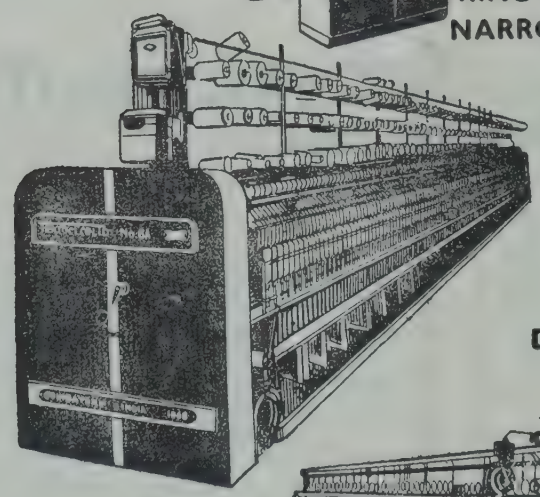
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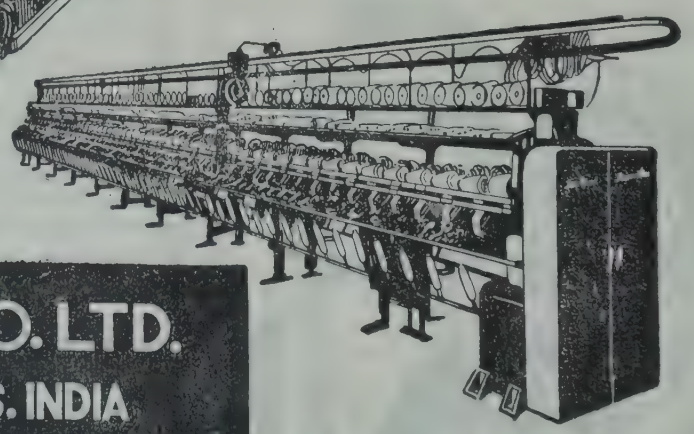
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that much of this country's expanded or expanding export trade with other ECAFE countries is in the area of non-traditional items.

Within the ECAFE region, India's principal trading partner, naturally, is Japan. Thus, in the 11 months ended February 1972, for instance, Japan took Indian goods of the value of Rs 167 crores out of India's total exports of Rs 352 crores to countries within the region. India, again, imported in the same period goods of the value of Rs 146 crores from Japan, while its imports from within the region amounted to Rs 330 crores. Incidentally, India has been generally earning substantial surpluses in its trade with Japan thanks to the latter's bulk offtake of iron ore.

In 1971-72, however, this surplus has been sharply reduced because of heavy imports of steel by India from Japan.

India's trade with Iran, another ECAFE country, has some interesting features. Thanks to its large imports of crude for its refineries and its considerable dependence on external sources for petroleum products generally, India runs up heavy import bills with Iran which ranks next only to Japan among ECAFE countries in India's import trade. Iran's offtake of Indian goods, unlike Japan's, is, however, quite modest, with the result that India is heavily in deficit with Iran on trade account from 1968-69 onwards, this imbalance increasing strikingly in 1971-72.

Need for Raw Materials

Australia is another ECAFE country which exports more to India than it imports, and once again, a single commodity this time, raw wool—accounts for the disequilibrium. Objectively, India has great need of more raw wool and non-ferrous metals among other items which Australia is in a position to supply and it must be said to the credit of that country that it seems to be concerned about stepping up its exports from this country so that Indo-Australian commerce may become truly expansionist.

Here, perhaps, is the right context in which we should examine what is perhaps the major weakness of India's foreign trade structure *vis-a-vis* other ECAFE countries. Compelled to practise rigorous economies in its expenditure of foreign exchange, the government of India seems to have become habituated to restrictionist approach towards imports from within the region. It follows that such surpluses as India may be securing in its trade with countries in this region are quite possibly being gained at the expense of dynamic, long term growth of its commerce in the ECAFE area. Even as it is, the surpluses in India's trade within the region turned into a deficit in 1971-72 because of heavy imports of steel from Japan and crude from Iran as noted earlier.

Indonesia, Malaysia, Sri Lanka and Thailand, for instance, are some of the countries which are in deficit to a greater or less extent in their trade with India. These countries, as well as some others in the ECAFE region, will probably be willing, and will certainly be able, to import more Indian goods, particularly the products of our diversifying industry, if our own appreciation of their export needs is a little more imaginative and positive. For instance, there is no reason why our trade with Burma should be so negligible. Surely, if India could offer a stable market for some of Burma's exportable rice, there can conceivably be some heightening of Burmese interest in the consumption or other goods which Indian industry may be able to export.

Unsatisfactory Situation

Here, a reference to our trade situation with Thailand may be pertinent. Thanks to the fact that our jute industry is prone to suffer a marginal shortage of domestically grown fibre if crop conditions happen to be less than satisfactory in any particular year, Thailand has been encouraged to build up an export trade with our country in this raw material (kenaf), and in the process it has developed the cultivation of this crop on a fairly large scale. Now, with the emergence of Bangladesh, the future of Indo-Thai trade in this commodity has become uncertain. While it is undoubtedly of the utmost importance that India and Bangladesh should develop between themselves the closest and the most extensive trade or other economic relations, a way will still have to be found for sustaining the Indo-Thai trade connection in relation to raw jute (or Kenaf) reasonably faithful to the principle and receptive to the demands of reciprocity as the basis of commerce among nations.

Countries such as India, if only because of their size, and therefore the larger dimensions of their economies, undoubtedly have a special responsibility towards the progress of the ECAFE region and must therefore exert themselves in enlarging and liberalising trade within this. This, in fact, is the necessary first step towards the goal of progressive economic co-ordination, if not integration, in the region. This, I presume, is also the perspective in which the people and the government of India should see the significance of this great Fair to which they have proudly invited the nations of the World.

Biggest Show in India

Asia 72 is the biggest show ever held in India.

About 60 million manhours of unskilled labour have gone into the making of the fair.

About 800,000 bags of cement have been used in construction work which is adequate to build two four-lane bridges across the Yamuna.

About 100,000 tonnes of sand, 200,000 tonnes of slag and 20,000 tonnes of steel have been used for the various structures.

About 600,000 wooden planks have been used for shuttering. The planks are sufficient for laying a three-foot-wide wood-paved path from Delhi to Jaipur, 160 miles away. About 600,000 wooden slabs have been used; placed length-wise, they are sufficient for erecting a railing from Delhi to Madras.

About 50 million bricks have been used for the construction work. As many as 300 trucks were utilised for clearing debris, and each truck made ten trips a day.

The Fair parking lot can accommodate 3,300 cars, 5,000 scooters and 10,000 cycles. A fleet of 80 buses link the Fair site with various parts of the city.

Stormwater drains cover a total length of 12 km.

Underground electric cable structuring of 60 km has been laid. The Delhi Electric Supply Undertaking supplies 10 mw of power for use at the Fair. There are about 100,000 light points,

Pipes for filtered and unfiltered water have been laid underground along a stretch of 20 km. The Fair consumes 600,000 gallons of water daily.

About 2,000 trees and 6,000 shrubs have been planted in the Fair grounds. Some 1,00,000 potted plants have been used for decoration.

Public Sector

Railway Pavilion

TUCKED IN a corner of the fair ground is the pyramidical pavilion of the Indian Railways. The pavilion has four integrated pyramids, symbolising the unity of the organisation.

When the country achieved independence in 1947, the Railway system was in a bad shape. World War II and partition had dealt two crippling blows to the organisation. Today, the Railways can look back with pride on their achievements. Indian Railways constitute Asia's largest, and the world's fourth largest railway system. It has 60,000 kilometres of track, of which 4,000 route kilometres are electrified. As many as 10,800 trains are run every day, carrying about 68,00,000 passengers and 600,000 tonnes of goods. They serve over 7,000 railway stations spread through the length and breadth of the country.

Constituting the rolling stock are 9,200 steam locomotives, 1,300 diesel locomotives, 625 electric locomotives, 385,000 wagons, 25,100 passenger coaches, and 1,765 electric multiple unit coaches.

Indian Railways employ more than 16,00,000 workers.

Except for importing certain sophisticated electronic items, the railways achieved complete self-sufficiency by the end of the third five-year Plan period. Today, the Railways provide consultancy services to countries in Africa, the Middle East and South East Asia.

The pavilion is divided into nine sections. They depict: the development of traffic in the country, steps taken to modernise the railway system; achievements in the fields of self-sufficiency, research, and exports; the role played by the Railways in the field of tourism; their role during emergency periods; staff welfare schemes; and construction activities.

On show is the Fairy Queen, a steam locomotive of 1854 vintage, which is the oldest locomotive that Indian Railways have been able to restore.

Textile Pavilion

In the Textile Pavilion, a glamorous bevy of 16 models present two shows a day in the 300-seat auditorium. Never before have 90 fashion shows been put on in a one-and-a-half-month stretch in India. Each 40-minute show projects the international appeal of Indian fabrics, handloom cloth, cottons, silk, woollens and manmade fibres for women and men of different climes, age groups and economic strata.

Six important textile export promotion and development agencies of the government of India have put up separate displays. The Textile Export Promotion Council is the main co-ordinator. The other five participants are the Woollen Textile Promotion Council, Silk and Rayon Textiles Export Promotion Council, Handloom Textiles Export Promotion Council, Central Silk Board and All-India Handloom Board.

The sections displaying four main fabrics — silk, cotton, woollen and manmade fibres offer careful selections from thousands of samples of hand-woven and machine-made textiles. Textile mills from all over India have their best products for display.

The ready-made garments section presents an unusual array of silk, woollen, cotton and manmade fibre dresses and accessories. The message is: "Wear Indian and look beautiful".

Woollens produced by the craftsmen of Kashmir and Himachal Pradesh, raw-silk garments from Assam, Bihar and Bengal and dresses fashioned from the fabrics oven by the skilled fingers of Uttar Pradesh — weavers show how traditional skill has passed from father to son. Classy cottons from Madras and Andhra Pradesh for summer wear in tropical weather or during spring in European countries make up another garments display.

Textiles have uses other than draping the human body. This the Textile pavilion proves through special displays. One display depicts the home beautiful, complete with carpets, wall hangings and other drapery. There are rooms and drawing-rooms furnished with Indian material.

Yet another section depicts the story of Indian fabrics. Here one can browse through pictorial and graphic display on the history of textiles in the country— the coming up of the first textile mill, the saga of the pioneers in the field, and the philosophy of khadi and manmade fabrics.

STC Group Pavilion

The State Trading Corporation Group Pavilion gives a graphic exposition of the infinite variety of Indian manufactures. As a premier trading organisation with four major subsidiaries and a world-wide network, it deals with a variety of products and services. They range from handicrafts and handlooms through railway and engineering goods, turnkey projects and motion pictures to cashew nuts. Its broad sweep omits practically nothing that is of international standard and excellence. The annual turnover of the group at about Rs 4,000 million is itself a measure of the vast dimension of its enterprise.

The pavilion begins with a terra-cotta type mural depicting ancient ships symbolising India's long tradition as cultural and trade exporters. This is immediately followed by glamorous and world-renowned crafts and textiles. Then follow various consumer items in which the country has maintained a strong foothold on the world market. These include cotton, woollen, coir and rayon products, jute goods, department stores items, hardware, industrial products, sports goods, leatherware, scientific instruments and two unique items, little-known but famous where they are met—wigs and army software.

An 80-foot long mural showing the development of the wheel as a means of transport beginning with the rolled log to the railway and jet plane forms the background to the Project and Equipment Corporation's section which deals in turnkey projects and railway stock and equipment. Increasingly finding world markets from Korea to Hungary these have a pride of place.

The Indian motion picture which has captured an astonishing segment of the world market has a small but colourful corner with pictures of filmland's glamorous moments presided over by a giant mural of Sharmila Tagore, Rajesh Khanna and Amitabh Bachan executed in psychedelia. There is also an amusing French-type pissoir plastered with posters. Lastly there is a section on the cashew—the unique fruit with its nut.

Hindustan Zinc

Hindustan Zinc Limited, a public sector enterprise, set up in 1966 to exploit lead and zinc deposits of the country has set up a stall in the Minerals & Metals Pavilion. Lead and zinc, two important metals for use in industry, are still being largely imported. The indigenous production is now obtained from Zawar Mines in Rajasthan. The history of these mines

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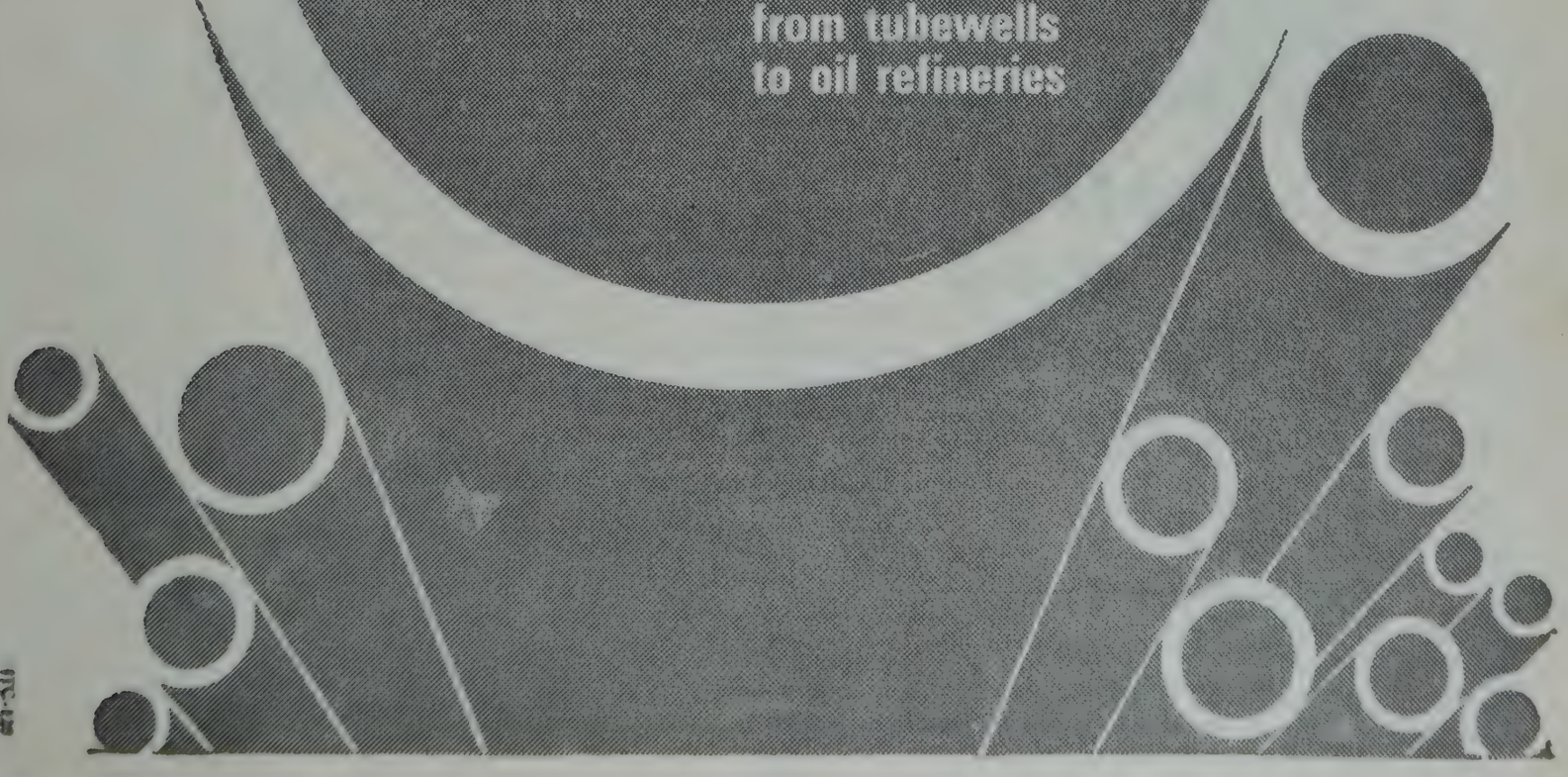
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dates back to the seventh century. Zawar Mines was a prosperous area of minerals in the 14th century during the reign of Rana Lakha Singh. The mining activity was continued till the 17th century and then followed nearly three centuries of neglect. In 1945, the mine was reopened.

A historical panorma has been depicted in the dome of the stall with the aid of a number of paintings. Old retorts used for smelting of zinc have been shown. The model also shows a section of the mine and the manner in which it is worked. The processing of the ore into metal is depicted in photographs. The intermediate and finished products obtained from the ore include, besides zinc and lead, cadmium, silver and super-phosphate (manufactured from sulphuric acid produced at the smelter) which have all been displayed in the stall.

Tourism Pavilion

The Tourim Pavilion has one section devoted to people. Faces and more faces look out at one in all their moods and are representative of a large part of the country. India—A Tourist Paradise—that is the name given to this section, which also displays places, food, festivals, flowers and motifs in a shattering multitude of reflections.

The Tourism Pavilion aims at putting this vast and varied country "on display". It tries to show how centuries-old art, culture and tradition are still vibrantly alive. The theme of the pavilion is "preservation of centuries-old Indian art and culture through the ages".

The essential problem for the tourist industry is to sell a destination using publicity as the principal tool to compete in the world market. The Rs 2 million Tourism Pavilion displays this vast and varied land, alive, exciting, mysterious and moody with its palaces, monuments and temples, its villages and towns and cities. It treats of the rich historic past, steeped in culture, and the progressive future with the mushrooming industrial complex. It highlights the tremendous archaeological history of this country in four sections: North, South, East and West India.

There are three impressive replicas of the Konarak wheel, a figure from Madurai's famous Meenakshi temple and a Jain panel in marble. These pieces have been worked on material similar to the original by artisans from the same region whose work indicates a continuation of the old tradition. There is little difference between the work of the 9th, 11th and 12th centuries and the handiwork of the artisans of the 20th century.

The nine-ton Konarak wheel stands at the entrance to the pavilion, greeting the visitor to the eastern section. Soft music and a continuous commentary tell the visitor of the marvels of East India as he moves past photographs, blowups, sculptural representations of the second and third century Buddhist stupas at Bharut and Ashokan rock and pillar edicts, to speak of only a few of the exhibits. In the western section too, there are photographs and sculptures representing Buddhist stupas, fascinating Buddhist caves at Karela, Nasik, Kondane and others at Ajanta and Ellora. The erotic sculptures of Khajuraho are in the northern section, along with its wealth of archaeological and sculptural inheritance.

Here too is the artistry of Jaipur and Udaipur, the imposing remnants of Muslim monuments of Delhi, the magnificent Taj Mahal and the Varanasi temple. Finally, the inmense statue from the Meenakshi temple greets the visitor to the southern section with its tradition of faith, where kings and commoners alike breathed their faith in stone.

Our archaeological treasures stand the test of time and age much better than the more mortal, but as precious, wild-life population. In the case of wild life, man is the hunter who drives to extinction not only with his gun but through his race towards progress and industrialisation. India's 500 species of mammals, 2,000 birds, 30,000 kinds of insects and 3,000 species of trees are displayed in photographs, films and slides in a special section devoted to wild life.

A special panel has been arranged with seven cylindrical structures forming peepshows where children can peer into a series of slides about wild animals.

After the cultural section, the visitor may take himself to the section which tells of the infrastructure facilities created for the benefit of the tourists. The entire section is in the form of an auditorium with a seating capacity of 50 to 60 and the focal point of interest here is a ten-minute colour film of a a young couple travelling round India with India Tourism Development Corporation helping at every stage.

T.D.A. Pavilion

The Trade Development Authority (TDA) pavilion displays export items ranging from toys and dolls to automobile spares and sophisticated electronic equipment. A multi-tiered structure, the pavilion reflects the mood, the colour and the activity at the fair. The interior walls are decorated with Madhubani paintings. It has a roof of jute cloth — another export item.

It displays 6,000 items from over 200 participants. Electronic items have a pride of place, among them a pocket calculator based on indigenous circuitry. It has been successfully test-marketed in the Federal Republic of Germany. Among the bicycles is a three-speed hub sports light roadster which has made a breakthrough in markets abroad. The automobile ancillary products being bought by foreign companies are also exhibited.

The pavilion displays garments, leather goods and shoes which have export possibilities. Stainless steel cutlery and sports goods are other important consumer items which find their way to foreign markets.

Small-Scale Industries

At least 18 countries in Africa and Asia have asked for Indian know-how in developing small industries, according to Mr K. L. Nanjappa, Development Commissioner, Small-scale Industries. During 1969-70 goods worth Rs 320 million were exported by the small sector.

Products of over 500 small units from all over the country are displayed in the hexagonal-shaped pavilion of small-scale industries built at a cost of Rs 7.5 lakhs. The hexagonal planning module represents a universal form capable of growing in all directions and aptly depicts the growth of small industries.

A representative selection of products in some broad categories such as electronic equipment, machine tools, automobile products, castings and forgings, medical equipment and surgical goods, chemical and allied products are of special interest to visitors from under-developed and developing countries.

The machines arranged for display demonstrate manufacturing processes. The success story of the small-scale industries, their growth, potential for employment, role in correcting regional imbalances, and the sophistication that has come about in the small-scale sector has been highlighted.

Among the novelties on display is a community TV antenna which can be installed in a multi-storeyed building and connected to as many as 20 TV sets, a food mixer which runs continuously for 30 minutes without any strain on its motor

and a mini fan which can continuously run for a couple of years without stopping.

A very interesting exhibit is "tinklephone" whose salient features is all-to--all communication in complete secrecy. Calls made through it are announced by a pleasant electronic tone and identified by light indication on both sides.

Air Garden

Ganganodyan, or Air Garden, is the name given to the pavilion of the Civil Aviation Group, which includes Air India, Indian Airlines, the Civil Aviation and the Meteorological Departments. Built on a plot of 2,600 square metres, it has a covered area of 1,700 sq. metres divided into four sections, one for each of the four constituents of the group. The overall theme of the pavilion is "faster air transport for economic development and better understanding."

Air India portrays its image as the nation's flag carrier around the world. A series of stunning blowups and translides explain the training of crew, maintenance of the fleet, operation of routes and cargo handling. On view is Air India's unique art collection along with its award-winning posters. Various promotional fairs being marketed from India are highlighted.

The Indian Airlines section tells the story of its contribution to the national economy and towards the promotion of national integration. Close circuit television and a display of navigational and other operations are part of this section.

The third section deals with the International Airport Authority of India, the Research and Development Institute of Civil Aviation and the Aeronautical Telecommuniction Service. In a simulated atmosphere the visitor can have glimpses of the sophisticated equipment and instrumental landing system capable of operating under all weather conditions. He can also see how an incoming aircraft receives instructions from ground control through medium and high frequency beacons. The Research and Development Institute's work in promoting air safety is highlighted, and there are models of gliders.

The fourth section highlights the operations of the meteorological department in such diverse fields as agriculture, aviation, shipping, transportation, water management and flood control. An important exhibit is the device for identification of thunderstorms with sound effect.

A sound and light spectacle accompanied by suitable ragas recreates the cycle of Indian seasons and the weather system is being shown. Among the other attractions are a weather radar (built by Bharat Electronics Ltd) and a model observatory.

Indian Steel Pavilion

Spread over a 2001.28 sq m plot of land, the Indian Steel exhibit consists of two domes, specially designed as space framed structures with tubular sections-resting on four pinpoint foundation supports at an elevated ground level. The crown of the first dome rises to 12.19 m while that of the second dome reaches an impressive height of 18.29m from the road level.

The entrance to the Pavilion lies through an architecturally novel and visually exciting subway. Moving down this area the visitor is caught up in an awe-inspiring experience of sights and sounds representative of steelmaking processes.

He next steps into the first dome where the exhibits provide a deliberate contrast to the intense involvement of the tunnel. The exhibits here touch upon India's steel heritage, reflect the early years of her modern steel industry established by such men of vision as Jamsetji Tata, and highlight the use and impact of steel in every sphere of our daily life. A massive steel sculpture resting on a placid water body portrays the power and strength of the prime metal—steel.

The two-tiered second dome introduces the visitor to the first of the state sector steel plants — Mysore Iron & Steel Limited. This is followed by the government's total involvement in the country's steel industry with the coming of Independence, and an exposition of Hindustan Steel, India's largest industrial complex. At the second level of this dome is the story of the design, consultancy and construction organisations such as the Central Engineering and Design Bureau, Hindustan Steelworks Construction Limited and Engineering Projects (India) Limited India's largest steel plant in the making, Bokaro Steel Limited, provides a fitting finale to this section which also refers to the future projections of the industry.

The pavilion includes an auditorium where films on India's steel industry and steel technology are screened for visitors.

On his way out the visitor passes by a giant mural—essentialy a work of art—symbolising the country's steelmaking heritage as well as the promise of the future.

Heavy Electricals

The two-storey pavilion of Heavy Electricals Ltd., Bhopal, covering an area of 1,984 sq. metres projects the activities of the factory in the building up of equipment for generation, transmission and utilisation of power—the much needed electric power for the advancement of a nation.

In line with the overall theme of "Asia 72" i.e. "Peace and Progress for Asia through Economic Cooperation", the HE pavilion's theme is "Power for Powerful Asia". The theme is woven round a well-knit story which projects to the visitor the role Heavy Electricals plays in making available power for the service of India and other developing countries.

The exterior of the pavilion is symbolic of the heavy and sophisticated equipment being built by the factory. The two circular forms mounted on pillars with vertical vanes all around represent the stay ring of a Water Turbine symbolising hydro power equipment. Sandwiched between the two cylindrical forms is a dam representing tapping of power from water with the aid of turbines. The cylindrical rings on the extreme ends represent large motors—another product of HE factory for utilisation of power. One of the two motors provides the exit for the visitors.

In this pavilion, the visitor enters through the dam, walks through the turbines and goes out from one of the motors.

The interior of the pavilion unfolds to the visitor the story of Heavy Electricals woven round the 'How and Why' of the multifarious activities of the factory.

The theme begins with the key word 'Power'. It spotlights two facets of Power—Spiritual Power and Economic Power—which are essential and complementary to each other for the attainment of the full-fledged personality of an individual or a nation.

India, the theme goes, on, has the privilege of making its humble contribution in both the spheres of Power for the solace and service of humanity.

Centuries ago the spiritual power in the shape of Buddha's message was carried to different countries of Asia from Sanchi —the spot which houses the Buddhist monument known all the world over.

Hardly 40 Kms from Sanchi at Bhopal stands the symbol of India's pioneering efforts in the post-Independence era for taming electricity for economic advancement. India's first and the largest heavy electorical equipment factory at Bhopal

is supplying basic power plant and equipment to different nooks and corners of the country and other developing nations to help build economic power.

Fantasy on Family Planning

The message of the Family Planning Pavilion is simple. Look, what you started with—perfect ecological balance as in marine life — and look what you are now. But there is no preaching.

To make you believe you are someone else you enter the pavilion through a spaceship. Slides on its walls showing a birds-eye view of the city give you the impression of flying over a city You are told that you are visitors to planet earth. You land, walk out of your spacecraft into a jungle. Its a pleasant experience; you see animals, birds, flowers, greenery, harmony.

From here you walk under the sea. There are fish all around you. The ocean floor is soft. You feel completely at sea.

The significance of the jungle and the sea is to show the perfect balance of life that existed. The rule is the survival of the fittest. There is no congestion, no going beyond limits. Look what you started with.

Next, the visitor from outer space is introduced to the human environment via a college depicting the family of man.

From here to a four-screen projection of different income groups of consumers and non-consumers. The visitor now knows that there are different levels of living in the human world.

You are now introduced to a middle-class family in which there are two daughters. Two daughters because far too many people think that to have an ideal family one should have one son and one daughter. The human figures are made larger than life to give the impression that they are different from you.

Here it is like a story; we see a girl with her boy friend in the university. They want to get married. The visitors from outer space see the wedding.

The boy and girl will now live in a city.

The introduction to the city is a shocking experience. The concrete jungle is more ferocious than the real one. You are attacked by cars, noises, neon signs and dirty apartment houses. You cross a road at the risk of your life. You turn round a corner and find yourself in a queue.

That's what life in a congested city is —a series of queues. In the queue you are introduced to a city dweller whose day is spent queueing up for various things. First thing in the morning there is a queue at the milk booth, then at the bus stop and so on.

Suddenly you notice ticking away and a baby coming out of it every now and then. This is the way it is. Even while you are standing in a queue, babies are born.

The queue you are in leads you inside a theatre hall. You are requested to sit down and see a movie. Suddenly there is an announcement. The spacecraft you came in has been damaged. You are stranded on planet earth. You will, however, be given a survival kit to enable you to live on this planet.

Outside the pavilion is a play area for children. There are sandpits, tunnels, spot cubes to sit on and clouds to plant on.

While the children are playing, parents can consult the family planning expert in a nearby room.

This out-of-the world pavilion was designed by a group of communication-minded persons who call themselves the Inter-Disciplinary laboratory of Ideas (IDLI). Their aim is to communicate collectively. This group is not made up of architects or interior decorators alone as one would expect any designing group to be. Young people from all walks of life form part of it. Different disciplines meet and help one another. The pavilion theme was conceived collectively at a meeting.

Financial Institutions

Participants in the Financial Institutions Pavilion are the State Bank of India and its subsidiaries, the 14 nationalised banks, Industrial Finance Corporation, Industrial Development Bank of India and Export Credit & Guarantee Corporation.

The roof of the pavilion is a doubly curved hyperbolic parabolic shell supported on four columns at the periphery. Under the roof, the simple structure makes available a large unobstructed area for exciting display. There is a 10 feet high Mezzanine in the centre of the pavilion running as a cross rectangle to the total structure. Under the Mezzanine there is a small fountain to enliven and harmonise the whole display.

The theme of the interior is that the nationalised banks and financial institutions meet the challange of the times. At the banking section of the pavilion there are two eye-catching rotating pillars, one, pictorially explaining the assistance made available by the State Bank group and the nationalised banks for agriculture and rural development and the other on various important services provided by the banks such as gift cheques, travellers cheques, etc.

The other section of the interior clearly shows the assistance provided by the nationalised banks in the field of small-scale industries exports, transport, personal loans, large-scale industries and assistance to professionals and self-employed. This is followed by the history of banking in India in the form of a pleasing mural painting. Other services provided by the nationalised banks and the State Bank group are also indicated in the form of a few panels. On the Mezzanine Floor statistical information on each participant bank, namely, the State Bank of India, the State Bank group, Allahabad Bank, Bank of Baroda, Bank of India, Bank of Maharashtra, Canara Bank, Central Bank of India, Dena Bank, Indian Bank, Indian Overseas Bank, Punjab National Bank, Syndicate Bank, Union Bank of India, United Bank of India, United Commercial Bank, is on display.

States

Bihar

THE BIHAR State Pavilion is perhaps the simplest and the most unassuming. It depicts through photographs, paintings and models the products which have made this state well-known.

Bihar has enormous potentialities for industrial development. Its natural resources are vast. Minerals, forest products and manpower are plentiful.

Mineralwise, Bihar is the most important state in India. It produces all the country's copper and kyanite, 91 per cent apatite, more than 50 per cent of coal, mica, bauxite and china clay, and about 40 per cent of iron ore. The Chotanagpur Plateau, the richest mineral belt in Indla, contains 80 per cent of the known deposits of coal.

Bihar's forests spread over 20,000 square miles. The major products of its deciduous forests are various types of commercial timber and firewood. The state is renowned for its sal trees. Sal wood is hard and durable and is used for railway sleepers, beams and rafters.

There are minor forest products such as sabai grass, valuable in the manufacture of rope and paper, bamboo fibre and leaves. Lac is another important raw material obtained from forests.

The plains of Bihar are among the most fertile agricultural tracts in India. North Bihar is especially rich in alluvial soil. South Bihar is not so fertile. Its soil is low in lime and lacks moisture.

Availability of trained manpower is the most important factor for industrial growth. To provide the required skills, 53 engineering colleges, industrial training institutes, polytechnics, junior technical schools and mining institutes have been established in the state. They turn out 8.500 engineering graduates, diploma-holders and technicians yearly.

The base of heavy industry has been laid at Jamshedpur, Ranchi, Bokaro and Barauni. Bihar offers unlimited opportunities for large medium and small industries. Agro-industries are also very important in a state where agriculture plays a dominant role.

To achieve a fast rate of industrial growth, the state government offers various incentives to large and medium enterprises in the private sector. Financial assistance is available to small industries. Special concessions are granted to co-operative societies.

Apart from illustrating the economic progress of Bihar over the years, the state pavilion also displays specimens of the famous Madhubani paintings. These paintings are an important source of earnings for the state.

Also on display are the renowned tussore silks of Bhagalpur. These durable silks are very popular with men as well as women. Men use them for coats and jackets, and no fashionable woman's wardrobe is complete without at least one tussore saree. Tussore fabrics are much sought after abroad.

For the cultural scene, Bihar is providing a troupe of dancers who will portra / the folk dances of the state.

Uttar Pradesh

The Uttar Pradesh pavilion depicts the state's progress in various fields, though the emphasis is on export-oriented goods. Pictures and models show the big industries in the state such as the Diesel Locomotive Works at Varanasi, Heavy Electricals unit at Hardwar and a division of the Hindustan Aeronautics Ltd.

On display are some of the traditional export items of the state. There are Bhadohi carpets, Varanasi saris, Agra marbles, brassware from Moradabad, wood carvings from Saharanpur, Lucknow chikan and Meerut fabric prints. Among the non-traditional items are light engineering goods which have been exported to the United States, Australia and western Europe.

The pavilion's architecture has a Mughal touch. A twin peepal tree, which was already there at the site, has been integrated with the interior decor of th pavilion. Under the tree is placed a re plica of a Buddha statue.

Himachal Pradesh

The pavilion of Himachal Pradesh i designed to give the visitor a glimpse of th natural beauty of the state — a land o snow and lush green forests, with spring and tumultuous brooks flowing throug its valleys and pastures.

A variety of architectural styles have been used to design the pavilion, notably Hindu and Buddhist motifs. From outside, the pavilion looks like a typical hil hut, its top presembling a Buddhist pagoda; the double-storeyed structure has a roof of slate. The interior has been carved out of wood, particularly deodar brought from the forests of the state.

The pavilion has a spread of 12,200 sq ft and its central wooden structure measures 68 ft by 44.

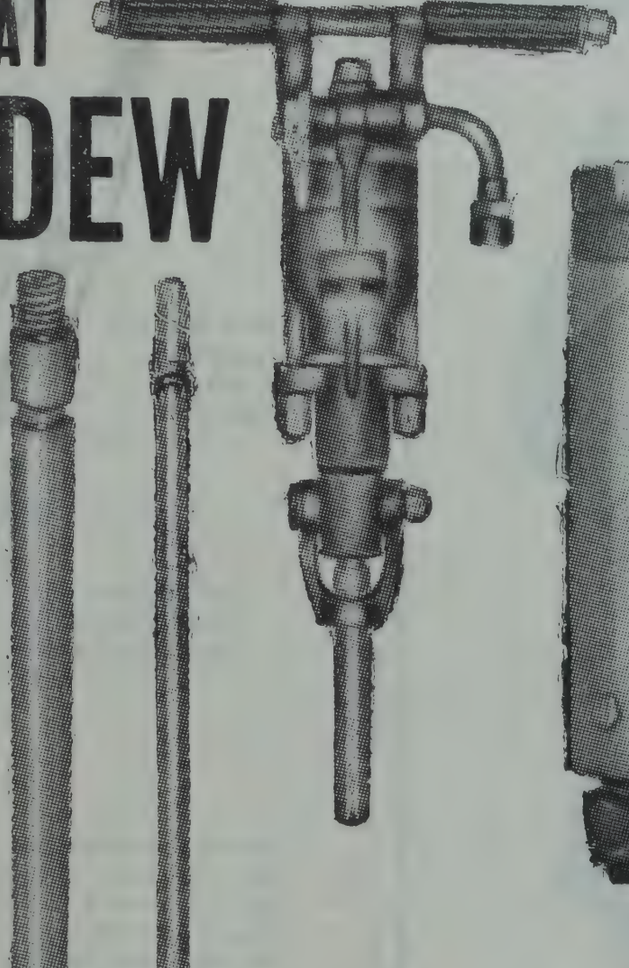
Pahari paintings and traditional Pahari costumes find a prominent place in the pavilion. Ras lila is the theme of some of the famous paintings displayed here. These paintings draw inspiration from the Vaishnava cult and Geet Govinda. The variety of colours and the linear forms in the paintings are characteristic of the region.

The main products of the state on display are woollen garments, resin and turpentine, carpets and rugs, pottery and fruits. For women visitors, however, the pavilion has a special item of interest, namely jewellery. The intricate copper and silver wares are designed and engraved exquisitely.

From a traditional-economy, Himachal Pradesh is slowly emerging as an industrialised state. This has been possible mainly owing to its power generation potential, and a number of industries are now being established. Agriculture is, however, the mainstay of the state's economy. Almost 94 per cent of its people are engaged in it, and of late, sheep breeding, horticulture, forestry and fruit canning industry are being developed.

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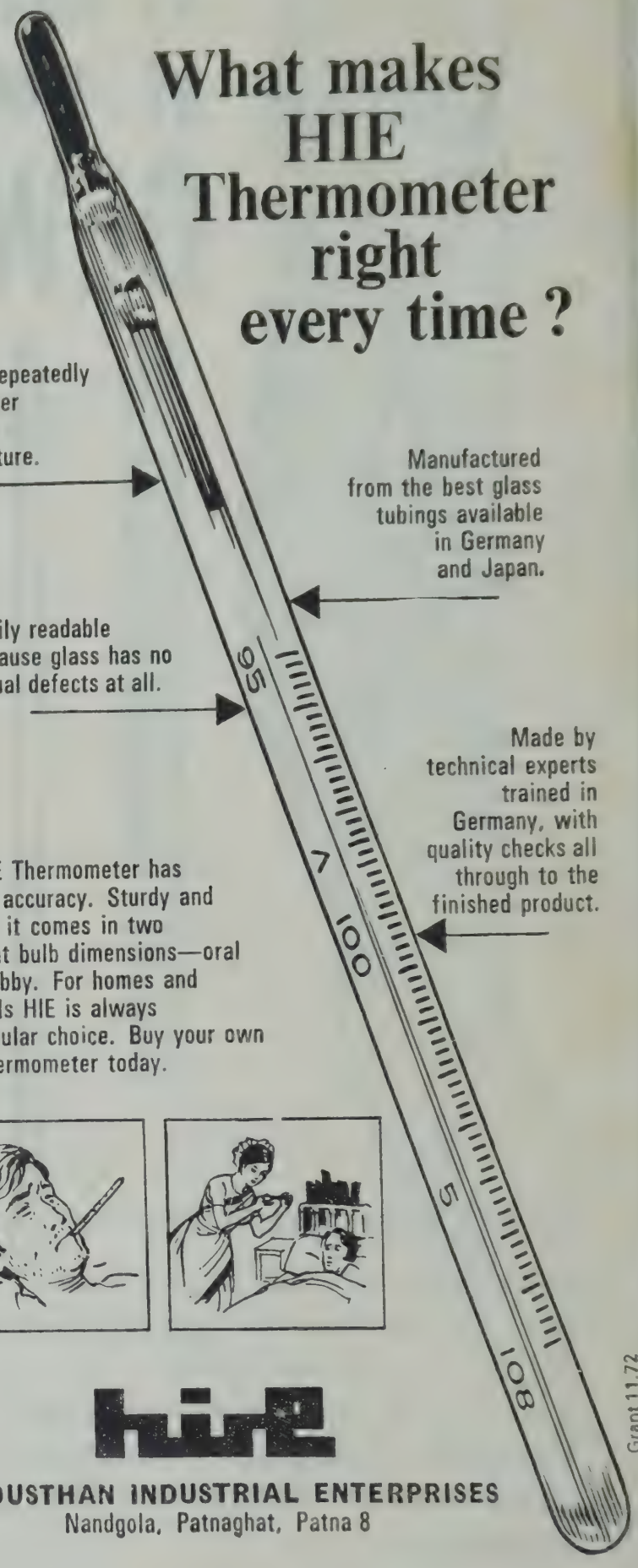
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Private Sector

Tata Pavilian

THE TATA contribution to the development of industry and the removal of poverty in this country are depicted in light, sound and working models in the Tata Pavilion. Seventeen autonomous Tata companies and Tata philanthropic trusts have gathered under a single roof to present an aggregate picture of their participation in India's economic self-sufficiency and industrial self-reliance.

Tata Exports represents India's vigorous drive for world markets. This company is the conduit for Tata and non-Tata products to overseas markets with sales in several countries since it was established. Leaving the less challenging fields of India's traditional exports to other Indian exporters, this unit has pioneered by pushing new India-made products in many countries. It has thus made consignments of Indian steel to the US, trucks to East Europe and West Asia, textiles to Australia, diamond drill bits to Britain and instant tea to the US. Its turnover has increased to Rs. 240 million per annum.

Translites, models and legends bring out the stirring story of Tata Steel, a pioneering industry established by Jamsetji Tata to take this country into the age of steel some 65 years ago. The Tata Steel works paved the way for India's entry into a multi-million tonne steel industry through the public sector steel plants after Independence. Relying on steel making processes evolved and innovated by its own technicians. Tata Steel produced 110 different varieties of steel without any foreign or acquired know-how and has thus laid the foundations for a truly and totally indigenous steel technology in this country. Through the years, its training schemes have turned out hundreds of young Indian steel technicians and steelmakers for itself as well as for the government's steel plants.

Belpahar Refractories and Tata-Yodogawa, which makes steel mill rolls for steel plants, represent the Tata determination to make India's steel industry independent of foreign suppliers by making vital steel plant equipment within the country for the first time.

Trucks and commercial road vehicles in various stages of manufacture as well as specialised vehicles like dumpers and industrial shunters, show the massive contribution of the Tata Engineering and Locomotive Company in building up India's road transport industry—an essential for tapping the vast potential of the sub-continental distances of this country. The sturdiness and reliability of the Tata truck have made it the commonest commercial vehicle on Indian roads today. 7,369 of these vehicles have been sold abroad so far to earn Rs. 28.80 crores in foreign exchange.

The four mills of Tata Textiles produce about 150 million metres of cotton and other cloth annually in some of the most modern machinery in the textile industry. Its well designed and durable fabrics for men's and woman's wear, as well as household linen and draperies, are exhibited. It produces a variety of bonded and non-woven materials for industrial and other uses.

In a major move towards diversification the advance Mills of Tata Texitiles has set up a Metals Division for producing cold rolled steel strip as a raw material for the consumer durable industries. Tata Textiles also have a unit for manufacturing readymade garments under the brand name of 'Cordel'.

Utilising the torrential monsoon downpours on the Western Ghats every year, the Tata Electric Companies' three hydro-electric generating stations provide a source of cheap power for energising the booming industries in the Bombay-Poona region of Western India. A fourth station produces thermal power to augment the supplies in the Tata-Koyna-Railway grid.

The Tata Electric Companies recently moved into the field of services, to provide managements consultancy through the Tata Consultancy Services and engineering expertise through the Tata Consulting Engineers.

Tata Robins-Fraser Ltd., was promoted seven years ago to meet a vital need in the bulk materials handling and processing equipment field.

TRF perfected the manufacture of a large range of bulk materials handling and mineral processing equipment within a very short period and now enjoy and unrivalled reputation for quality. TRF supply equipment and engineering services to mines, steel plants, electricity undertakings, port authorities, chemical and other industries which require handling and processing of materials in bulk.

The exhibits of the Tata Oil Mills show the wide range of consumer goods that it produces. Soaps and toiletries, detergents and hair oils, cooking medium and animal feed processed food and bottled squashes, eau-de-cologne and protein concentrates flow out from the cornucopia of this company. Industrial Perfumes has exhibited specimens of its aromatics, while Lakme shows some of its cosmetics and beauty preparations. Tata-Finlay exhibits include many brands of its packaged teas which are exported in large quantities besides substantial inland sales.

National Radio and Electronics is a company operating in the forefront of sound technology in India. It has just diversified into the manufacture of industrial electronic equipment.

Tata Chemicals' exhibits show the large variety of chemicals it extracts from the sun and the sea off the coast of Kutch at Mithapur. Without any foreign collaboration, Tata Chemicals technicians and engineers have wrested the secrets of this arcane chemical technology to produce about (50 tonnes per day of soda ash. Tata Chemicals was recently permitted by the government to increase its capacity to 1,000 tonnes per day to meet the growing requirements of this country of this vital industrial raw material.

VOLTAS is India's major integrated marketing manufacturing and engineering organisation with sales exceeding Rs. 100 cores per year. It is in the field of heavy industry with mining and materials handling equipment and in the consumer durables with its refrigeration and air conditioning equipment. Its pumps and water drilling equipment ameliorate the rigours of drought in various parts of the country.

Mafatlal Group Pavilion

The design of the Mafatlal Pavilion projects the facets of Mafatlal's industrial activity which form the Group as a whole. The whole pavilion has been designed in the shape of a lotus. The petals of the lotus flower lend themselves most appropriately to the housing of these divisions, whilst at the same time the interconnection between petals all converge at the centre of the flower, thus maintaining the desired unity.

This unity at the centre is what forms the heart of the Group's activities and likewise, the centre is the life for the Group—as it is for the flower.

The walls of the Pavilion are designed borrowing from a rich heritage of traditional sculpture and architecture. This provides a trellis type of wall which allows people to see in and out without giving a pent up feeling.

The items on display include fabrics, apparel, jute, plywood, dyes and chemicals, plastics, and products of petrochemicals, and refrigerants and propellants.

Escorts Pavilion

Today's battle of Mahabharata is taking place on the farms, in the factories

and hospitals across the length and breadth of the country. The Escorts pavilion depicts in a unique blend of light, colour and sound, the company's distinctive role in developing and designing modern weapons to fight the enemies that plague us in the fields of agriculture, industry, transport, health and exports.

The audio-visual presentation of the "New Mahabharata" in a specially conceived hexagonal auditorium with its six walls as giant screens and the use of a special translucent screen for film projection and simultaneous live demonstration gives a new dynamic dimension to the concept of display. Here is being presented, perhaps for the first time in an international fair, a rare combination of film projection and live demonstration, giving the presentation a touch of reality. The 15-minute "performance" is a fascinating spectacle, in which tractors, cranes and other equipment are the "actors". An array of photographs featuring aspects of Escorts activities and a diverse range of products displayed on specially designed "chandeliers" conjure up an image of a gigantic enterprise making a vital contribution towards India's economic self-sufficiency.

IOL Pavilion

The role that gases have played in the industrial development of India, the various techniques of welding and cutting metals that are so essential a feature of modern civilisation and the exciting possibilities that lie ahead as technology in these fields develops are featured in the IOL Pavilion. Housed in a structure with a very interesting architectural design the pavilion illustrates through photographs translites, animated flow-charts and displays of actual products and equipment IOL's contribution to industrial life in India today and its plans for the India of tomorrow.

Arrangements have been made for live demonstration of oxy-acetylene metal cutting, MIG welding (equipment for which is being manufactured and marketed for the first time in India by Indian Oxygen) and supply of gases in hospitals and nursing homes. The range of exhibits brings out clearly how IOL plays a vital part in every industry in the country and has contributed to every major project during the nearly four decades of its existence. The gases and other items of welding equipment and consumables that the company supplies for the defence services and for the manufacture of hardware required for defence are also featured in the pavilion.

Tyre Industry Pavilion

The tyre industry pavilion is spread over an area of 992 sq. metres (10,000 sq. ft.). It has a unique semi-circular valley type structure with motifs of moving wheels. The moving wheel is the theme of the pavilion.

Export of automotive tyres from India is expected to get a boost at the pavilion. Last year, the industry earned Rs. 70.6 million from exports to 90 countries. Arrangements have been made at the tyre industry pavilion to receive overseas visitors who will have an opportunity to see and examine the vast range of tyres now manufactured in this country and discuss export possibilities.

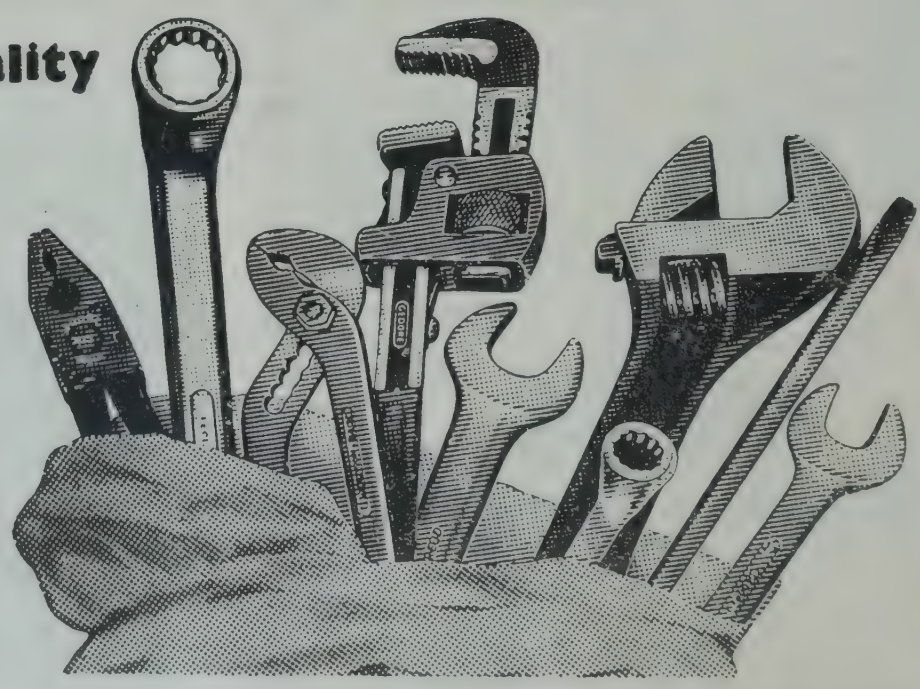
The story of the moving wheel since the days of Mohenjo Daro has been depicted in the pavilion. Visitors to the pavilion get an idea of the remarkable progress made by the automotive tyre industry in the years after Independence. Production of tyres has gone up from 0.8 million in 1948 to 4.6 million in 1971.

The industry caters for the requirement of two million automotive vehicles now plying on our roads, and also serves industry, agriculture, aviation and defence. The country's tractor population has increased from 8,635 in 1951 to 142,000 in 1971. Tyres for almost all types of aircraft flying in the Indian skies, including the Jumbo Jet, are now made in India.

A special section in the pavilion depicts the role of automotive tyres in defence. The industry now supplies the defence services with all the tyres they require including tyres for Vijayanta tanks and MIG-21.

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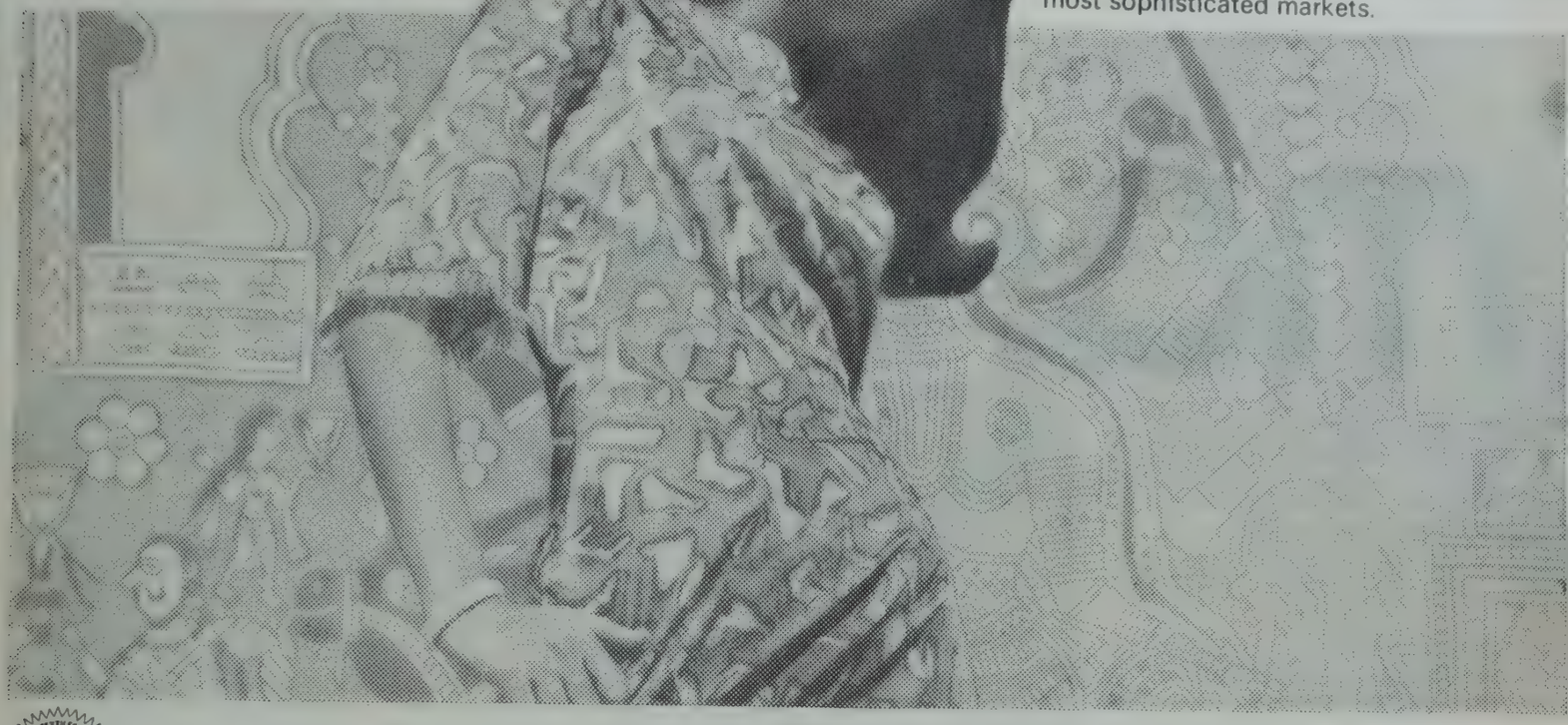
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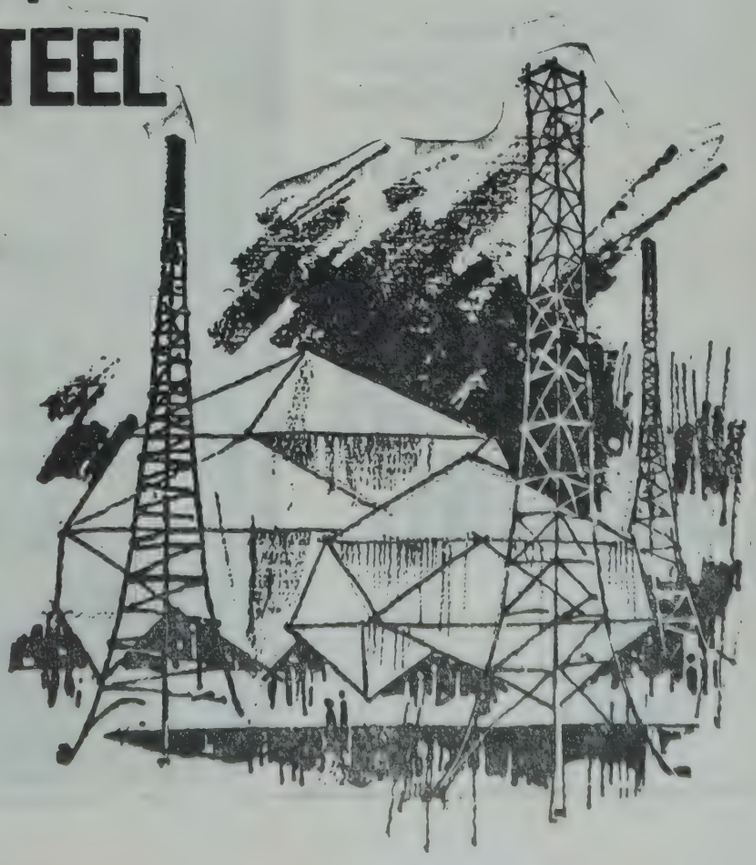
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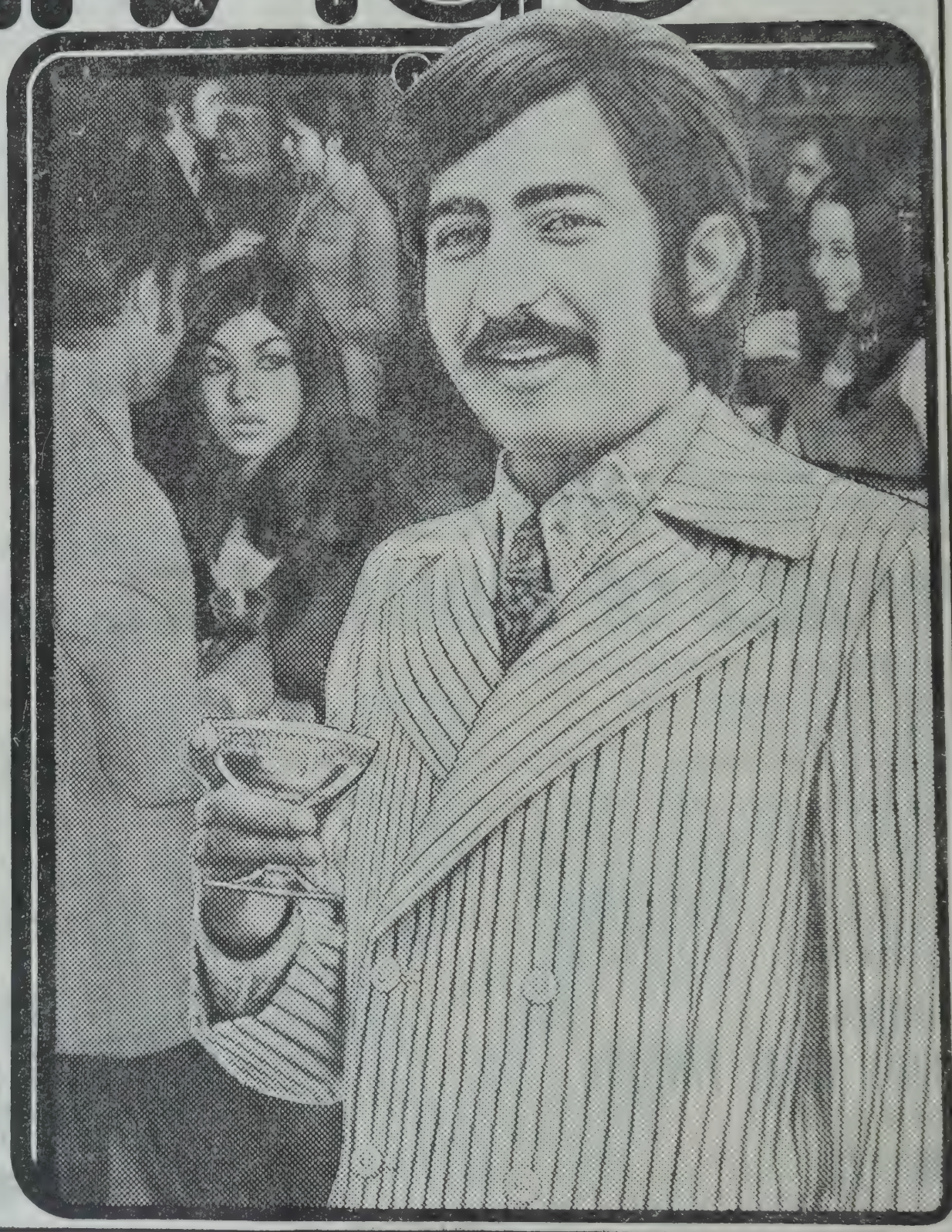
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From Foreign Lands

USSR : Biggest Pavilion

THE SOVIET pavilion is the biggest of all pavilions in the foreign sector and is spread on an area of 4,700 sq. metres. The covered area of the pavilion is 1,550 square metres. It is divided into 20 sections, each for specific display of exhibits. A part of the open space outside the pavilion has been reserved for a display of Soviet tractors and agricultural implements. In addition to the main pavilion, a cinema hall has been constructed for daily screening of films.

A model of Lunokhod—I in its original size, Molniya communication satellite, a cosmonaut's dummy in a space suit with photographic exhibits of Soviet advances in space technology are some other attractions of the Soviet pavilion. The two swings which have been set up in the Soviet pavilion campus will provide recreation and amusements. The swings will be gifted after the Fair.

In the main pavilion, a separate section, called 'Milestones of Progress', is reserved for the Soviet Economic Commission. It projects the economic achievements of the USSR from pre-revolution era to the present, in all the branches of economy—agriculture, industry, power generation and allied lines.

The Soviet Economic Commission has made a special selection of exhibits of machines which the USSR produced in recent years. The organisers have also included the items of Soviet exports to India in order to highlight the impact of trade relations between the two countries, the economic progress of India and substantial contribution of the Soviet-aided projects which laid the basis for the growth of engineering industry in this country.

A total of 26 Soviet trade organisations has displayed their export products at the Fair.

The Tractorexport, Soviet foreign trade agency for export of farm machinery, has, for example, made a special selection of tractor models suitable for India.

Among the 31 items of agricultural machinery, displayed by Tractorexport, is Byelarus 60HP tractor, Soviet DT-75 crawler tractor, Soviet T-25 tractors of 20HP range, a special combine, a complete set of machinery for planting and harvesting of cotton, specially designed tractor-drawn trailers and a variety of mounted and trailing implements for multi-purpose farm operations.

Some other foreign trade organisations of the USSR are displaying machinery for the production of consumer goods such as textiles, knitted goods, shoe-making machinery, etc., for which the USSR has been placing growing bulk orders on India.

A team of 35 experts of the Soviet enterprises and 20 from Soviet commercial organisations are present at the pavilion to help the visitors and reply to the queries of trading parties interested in Soviet machines and trade.

In 1960 the total sum of Indian exports amounted to 1,197 million roubles, 26 per cent of which was of non-traditional goods; the same year the Soviet Union imported from India 29 per cent of these goods. As the production of non-traditional goods was growing in India, their general exports was also increasing. In 1971, non-traditional goods comprised 42 per cent of India's total exports (1,825 million roubles), and their export to the USSR reached 48 per cent of the Soviet Union's total import from India. These figures show that the rate of import by the Soviet Union of Indian non-traditional goods is growing faster than the rate of their growth in India's total exports.

In the past few years, India has been exporting machines, equipment instruments and manufactured goods. Assisting India in developing the export of these goods, the Soviet Union, one of the first, started to buy in India accumulators, power cables, medical instruments, ferrous rolled metal, automobile tyres and some other industrial goods.

The Japanese Pavilion

Spread over an area of 4,000 square metres, the Japanese pavilion has a unique feature of sloping roofs made of white canvas with a top column 45 feet high. The white brick-walled pavilion has 24 display arches which exhibit precision engineering instruments. Several movie films and colour slides depicting the Indo-Japanese cooperation in several fields and the rapid strides made by the Japanese people in the industrial and agricultural fields is shown at short intervals during the day.

A special dark room with plywood walls painted dark blue has been constructed in one section of the pavilion. Projection will be done from behind the acrylic screen (3.6 x 1.8 metres) by three slide and three movie projectors.

A most sophisticated electron microscope is the highlight of the electronic instruments on the show. Besides the latest range of tractors and rice planters, also on show is an executive seven-seater twin-engine-turbo-propelled MU-2 aircraft. The plane is described as having the excellent short take-off and landing (STOL) performance among all comparable planes in the world.

Two Kawosaki motorbikes—a 750 cc suitable for long journeys and a lightweight 100 cc motorbike have also been put on display.

An added attraction at the pavilion is the two amusement corners with twenty battery-operated cars for children and a mini-train. The sleek jet-shaped mini-train runs on electricity and has four bogeys with a capacity for 28 children. A small platform has been constructed outside one end of the pavilion. About 372 metres of rail tracks have been laid in a semicircle.

GDR

The exhibition of the GDR covers an area of about 2,230 square metres, of which about 950 square metres are covered area. The exhibits on show are a collection of products from several industrial branches of the GDR such as Transportmaschinen, Polygraph-Export, Schiffskommerz, and Kamera-ORWO.

Representatives and experts of these enterprises are in New Delhi for consultations and technical as well as commercial information during the fair. The motto of the GDR exhibition at "Asia 72" is "The GDR—a reliable economic and trade partner. The GDR—for world-wide trade and progress".

From the beginning of the fifties till today the economic relations between the GDR and India have been developing well and continuously. The annual

foreign trade turnover rose from about Rs. 2 crores in 1954 to about Rs. 60 crores in 1971. GDR-made machine tools, agricultural machines, printing, machines, cargo vessels, potash fertilizers and photo-chemical products are well-known in the Indian market.

The new long-term trade and payments agreement concluded in November last year to cover the period from 1972 to 1975 is an important basis for further developing the economic relations between our two countries.

Italy

The products displayed in the Italian pavilian are of interest mainly to technical experts and industrialists. They include some new models of offset printing machines and a wide variety of agricultural machinery and implements. Other exhibits include marble and tile making machinery, motors and various industrial equipment.

Technical and financial collaboratlon between Italian and Indian firms has extended, during the past years, over a very large field of enterprises, ranging from fertilizers and chemical plants, cars, scooters and ancillary industries, to pipelines, oil drilling projects refineries and other petrochemical industries. Many more joint ventares involving Indo-Italian technical collaboration refer to a wide variety of electrical and mechanical products, pharmaceuticals, machinery for the textile industry, heavy chemicals such as sulphuric acid, caustic soda and additives for petrol and lubricants, printtng machines, tyre production, machine tool etc.

The Italian collaboration is best evidenced by the FIAT "1100" cars and the well-known "Lambretta" and "Vespa" motor-scooters and rickshaws which can bc seen on the roads of practically every city and town in India. They are manufactured under licence agreements from the Italian companies.

As a result of a new agreement signed in New Delhi last June, a highly sophisticated plant—which has been utilized by Innocenti in Italy until a short time ago—is going to be transferred to India. When it will start production again, it will be able to turn out, every year, 100,000 "Lambretta" scooters of the latest type, which will meet the growing internal demand for mass motorization and will also earn valueable foreign exchange for India through exports.

In the Italian pavilion are represented some firms which already are successful examples of profitable industrial cooperation and exchange of technical know-how between Italy and India. Among them of outstanding interest are Messrs Nebiolo, manufacturers of the new offset printing machines soon to be produced under a licence agreement in India by Hindustan Machine Tools and other important firms such as Magneti Marelli, Lombardini Motori, and three subsidiaries of E.N.I.—the Italian National Hydro-carbons Authority—, Snam Progetti, Nuovo Pignone and Pignone Sud.

Snam Progetti has been operating in India for over a decade and has associated itself in setting up a Carbon Black Plant in Durgapur, Udex Plant in Baroda, Madras Refineries in Madras, Lube Oil Plant in Bombay and also in the laying of cross-country pipelines in Assam, West Bengal, Bihar, Uttar Pradesh and Gujarat.

Nuovo Pignone products has been in the service of many of the fertilizer plants, refineries, pipelines etc. in India. Nuovo Pignone has entered into a technical collaboration with Bharat Heavy Electricals Ltd. for manufacturing centrifugal compressors in India, and with Bharat Pumps and Compressors for reciprocating compressors. Finally, Pignone Sud, manufacturer of electronic and pneumatic instruments, control and safety relief valves, valves for nuclear plants, electronic remote controls, etc., is already well-known in India as supplier of equipment for Cochin, Durgapur, Barauni and Namrup fertilizer plants and for several refineries and pipelines. It has at present under consideration various proposals for industrial collaboration with the government of India undertakings and other industrial enterprises.

France

Concorde is known as the noisiest aircraft; the French associates of its well-known France-British manufacturers have stolen the limelight at the French pavilion. This is a professional organisation which represents all the aircraft and equipment manufacturers in France including the Airbus A-300. Air-India has already made the down payment of ten per cent for two Concordes for its fleet but a decision whether to buy one has yet to be taken.

France is the fifth biggest industrial country in the world. It is ready to accept any challenges posed by the formation of a larger European community. In the field of engineering industries, among the numerous exhibits are railway equipment from ALSTHOM, the world's top producer of electric locomotives which has been actively collaborating with Indian Railways for the last ten years.

Chemical engineering is represented by two companies, Speichi and Technip both having important projects in India and the whole of Asia. The latter is involved in two major projects now in the course of completion. They are the 20,000 tonne caprolactam plant for Gujarat Fertilisers Corporation and the 2.5 million-tonne Haldia refinery for the Indian Oil Corporation near Calcutta. Both the projects are being carried out in collaboration with Engineers India Limited.

Australia

Australia's own experience as a developing nation in the Asian region makes it a logical source of supply for specialised machinery and equipment and for the technical skills needed to help the development of its Asian neighbours.

This knowledge is what makes the Australian pavilion different from others at Asia 72. The overall display depicts aspects of the country's development and how it is co-operating in the development of India and other countries in the region.

Among the exhibits are woollen textiles and the latest wool processing techniques, radio-telephone systems, agricultural machinery and electronic hardware as well as Australian-made motor cars and agricultural aircraft.

Technical advice for the wool textile trade is offered by the Australian Wool Commission as part of its display featuring wool from its raw state to the finished product. India imports more wool from Australia than from any other country and is a substantial exporter of wool products.

Trade between Australia and India is mostly in traditional products such as jute goods, tea, cashewnuts, cotton piecegoods, coir, mica and handicrafts. Australia exports wheat, wool, zinc and lead, but greater diversification is possible on both sides.

Indian items which have found a market in Australia recently include steel pipe, machine tools and other manufactures, while from Australia have come passenger cars for Indian Tourism Development Corporation, shipments of rice, concrete pumps, nickel and copper and rock phosphate.

MOVING FINGER

The Prime Minister, it was said, was provided by the thoughtful Mr D.P. Dhar with a copy of the "Approach to the Fifth Plan" before she left on her visit to Darjeeling so that she could go through the document during the relatively less busy time she might be expected to have there. Unfortunately her stay in Darjeeling turned out to be a much more hectic experience than what she probably had bargained for — and I am not referring to her drill of christening the tiger cubs which of course was very much on the programme. Indeed, there have been reports that, among the angry crowds she faced, there was at least one that went to the outrageous extreme of shouting 'Death to Mrs Indira Gandhi'. This extremely unpleasant and probably avoidable situation might not have come about had the Chief Minister of West Bengal, instead of wasting his time and energy in trying to intimidate the press or parts thereof, been more mindful of the signs of unrest or discontent in various parts of his troubled or troublesome territory.

The central government, evidently, is not too popular in the Darjeeling district. It does not seem to be everybody's favourite in Karnataka either; and this, it seems, may also go for Gujarat. The losing of a bye-election for the assembly here or a bye-election for the Lok Sabha there should not, of course, be blown up into a major reverse for the ruling party or interpreted as a sign that the national electorate is beginning to weary of its (alleged) massive mandate to Mrs Gandhi to practise demagogy instead of democracy and thereby pauperize the economy in the name of ending the poverty of the people. All the same the results of these bye-elections are undoubtedly significant in that they provide or ought to provide a much needed boost to the morale of the opposition parties. In my view the most disturbing feature of the current political situation in the country is not even the complacent conceit of the dominating ruling party, but the demoralization of so many of the other political forces or influences in the country. On this reading, any political development which shakes the Indira Gandhi machinery in national politics or, what, in its context, is the similarly dominant political machinery of Mr Karunanidhi in Tamil Nadu is a clearly desirable development. It is of the essence of a democratic political system that the opposition parties should never despair completely of their ever being able to influence the course of politics or bring political pressure to bear on the party or politicians in power.

The Minister for Plann- ing seems to be keen on there being an active national debate on the fifth Plan formulations, because he believes, quite rightly, that this is essential to the arousing of national interest in the purposes and programmes of the Plan. I wonder, however, whether the Political Correspondent of *The Statesman* or "SAL" (its 'man of economics') who writes a weekly diary, is properly serving the cause of such a debate. The former, recently, wrote about some of the Plan issues in terms of a war of wills between Mr C. Subramaniam and Mr D.P. Dhar and ended up by assuring his readers that, contrary to the prevailing impression, Mr Subramaniam still had a lot of political clout. Subsequently, the 'economics man', dealing with certain other aspects of this Plan business, pictured a battle of wits between Mr Chakravarthy and Dr Minhas, who are two of the three members of the Planning Commission; "SAL" implied that the honours had gone or were going in the direction of Mr Chakravarthy.

Now, far be it for me to decry 'personality' writing — even if it were only for the reason that I myself am doing quite a lot of it and enjoy every bit of what I do. But it is obvious, surely, that the Plan is (or ought to be) too serious a matter to be treated as a matter of conflict of interest between professional politicians or among career officials. Whether Mrs Gandhi listens more to Mr Subramaniam than to Mr Dhar in matters of economic policy or whether Mr Dhar listens more to Mr Chakravarthy than to Dr Minhas in matters of economic strategy is no doubt of considerable importance to the individuals concerned, but there should surely be a more impersonal way of dealing with the basic Plan issues in serious writings even in the daily newspapers. Planning in this country no doubt keeps falling on evil days, but this is no reason why its further course should be debated in terms of who may let out the loudest fart when planners discuss strategy or ministers deliberate on policy.

Mr K. B. Lall, the Def- ence Secretary, is to be Our (next) Man in Brussels in due course. Although he will be returning to a familiar pasture, he is certainly not being put out to grass. On the contrary, this assignment may well bring him his crowning achievement in a career in which the opportunities had almost always started as so many challenges. That the Six has now become Nine must suit him since Mr Lall likes a big stage for acting out his big ideas; one still remembers how he filled out the drama of UNCTAD II in New Delhi in 1968. For some reason or reasons, which remain a mystery, this extremely resourceful civil servant was never of Mrs Gandhi's court although he was very much in her government. This emphasises all the more the fact that, if the Prime Minister has decided to continue to make use of his services, it can only be because the country cannot easily dispense with them.

Between now and Brussels, Mr Lall will continue to spend in the Defence Ministry the remaining few months of his tenure in the Indian Civil Service. He has, however, been redesignated as Principal Secretary. Most newspapers agree that the rechristening of Mr Lall's post was prompted by the fact that Mr B.D. Pande, who is junior to him in the I C S, has been selected to succeed Mr T. Swaminathan, the retiring Cabinet Secretary. The Prime Minister has been credited with being in agreement with the view of the Administrative Reforms Commission that a cabinet secretary should at least be at this post for a minimum of three years — a condition which rules out Mr Lall since he is due to retire from the ICS next year. Quite clearly, then, Mr Lall has no reason to feel embarrassed at all — his status in the administration is too clearly established for that — and I am therefore surprised that quite a few newspapers have found it necessary to say that his being redesignated as Principal Secretary has spared Mr Lall "embarrassment". I am even more surprised at the attempt of *The Hindustan Times* to rationalize most elaborately the government's action in upgrading Mr Lall's designation which is purely a symbolic gesture. This paper has attempted to see an element of administrative reform in the creation or rather revival of the nomenclature of Principal Secretary in the Defence Ministry. According to its correspondent, "the government is said to have been guided by the consideration of ensuring proper co-relation (Correlation?) between the officers in the ministry and the Defence headquarters".

VB

TRADE WINDS

Standard Gazel

STANDARD MOTOR Products of India Ltd, Madras, has come out with a new, and modified version of the Standard Herald Mark III Saloon, Standard Gazel. The company calls it 'the small big car' and has named it after a fast moving small antelope. The company claims that it has achieved 97 per cent indigenous content and hopes to become self-sufficient in the near future. The car offers more seating capacity like a big car with full bench seat in front as well as large seat at the back, so that it can seat five or six persons. It has also improved rear axel with coil springs. It has a new dash-board with piano-key switches, a new sleak grill, a new rear look with wrap-round bumper at the front and the rear. Doors in the new car are fitted with sturdy frames and redesigned locks. Bonnet locking arrangement is operated from inside. The ex-factory value of the car before taxes is Rs 16,626.08 and the amount to be paid on road including all taxes is Rs 22,120.76 at Madras.

Textile Mills Taken-over

The President promulgated an Ordinance on October 31, to provide for the immediate take-over, in the public interest, of the management of 46 sick textile mills, pending nationalisation. A press note pointed out that the important criteria followed *inter alia* have been mismanagement, fall in production and employment, closure of units, legal difficulties, etc. The ordinance has been promulgated with a view to ensure speedy rehabilitation of "sick" textile mills, acts as a deterrent to the closure of mills, sustain production particularly of the varieties for use by the weaker section of the society, sustain employment and undertake speedy modernisation programmes which would *inter alia* give a fillip to textile exports. The Sick Textile Undertakings (Taking-over of Management) Ordinance, 1972. promulgated on October 31, came into force immediately.

The public sector National Textile Corporation under the Ministry of Foreign Trade will function as the Custodian-General in terms of this Ordinance. Custodians for individual undertakings are also being appointed by the government. The entire exercise is proposed to be carried out so as to ensure a smooth change-over, without any dislocation whatsoever.

The procedure hitherto followed under the IDR Act was found to be long-drawn-out one. It was also felt that the earlier procedure of rehabilitating 'sick' units under the aegis of the government and subsequently having to return them to the original owners, was not conducive to ensure the continued health of the textile industry which was one of the most important consumer-oriented and labour intensive industries in the country. There have been cases of sick textile mills, taken-over by the government and subsequently returned to original owners, having to be taken-over again by the government.

On an earlier occasion in 1971, the Industries Act had been amended to facilitate take-over of some of the closed mills without long drawn-out processes. This amendment did improve the position somewhat, but not to the full extent necessary. Serious difficulties in the rehabilitation, of the sick mills and in ensuring government's timely intervention, continue to be encountered, necessitating the present Ordinance.

Names of the Mills

Following are the names of textile mills whose management has been taken-over under the Ordinance: 1. Adoni Cotton Mills, Adoni (AP). 2. Anantapur Cotton Mills, Tadapatri (AP.) 3. Apollo Mills, Bombay. 4. Arati Cotton Mills, Dassnagar, Howrah (WB). 5. Balarama Varma Textile Mills, Shencottah (Tamil Nadu). 6. Bangasri Cotton Mills, Sodepore (WB). 7. Bengal Fine Spg. & Wvg. Mills, Mill No. 2, Kataganj (WB). 8. Bijli Cotton Mills, Hathras (UP). 9. Cannanore Spg. & Wvg. Mills, Cannanore (Kerala). 10. Dayalbagh Spg. & Wvg. Mills, Amritsar. 11. Edward Mills Beawar (Rajasthan). 12. Edward Textile Mills, Bombay. 13. Fine Knitting Mills, Ahmedabad. 14. Gaya Cotton & Jute Mills, Gaya (Bihar). 15. Indore Malwa United Mills, Indore. 16. Jayashankar Mills, Barsi (Maharashtra). 17. Jyoti Weaving Factory, Calcutta (WB). 18. Kaleeswarar Mills, Coimbatore (Tamil Nadu). 19. Kaleeswarar Mills, Kalaynarkoil (Tamil Nadu). 20. Kalyanmal Mills, Indore (MP). 21. Kanoria Industries (Cotton Mills Section), Konnagar (WB). 22. Kerala Lakshmi Mills, Trichur (Kerala). 23. Kharar Textile Mills, Kharar (Punjab). 24. Lord Krishna Textile Mills, Saharanpur (UP). 25. Mahboob Shahi Gulbarga Mills, Gulbarga (Mysore). 26. Kaiser-i-Hind Spg. & Wvg. Mills, Chinchpokli, Bombay. 27. New Pratap Spg. Wvg. & Mfg. Mills, West Khandesh (Maharashtra). 28. Orissa Cotton Mills, Cuttack (Orissa). 29. Osmanshahi Mills, Nanded (Maharashtra). 30. Panipat Woollen Mills, Kharar (Punjab). 31. Pankaja Mills, Coimbatore (Tamil Nadu). 32. Pioneer Spinners, Pioneernagar (Tamil Nadu). 33. Prabha Mills, Viramgam (Gujarat). 34. R.B. Bansilal Abirchand Spg. & Wvg. Mills, Hinghanghat (Maharashtra). 35. Savatram Ramprasad Mills, Akola (Maharashtra). 36. Seksaria Cotton Mills, Bombay. 37. Shree Bijay Cotton Mills, Bijainagar (Rajasthan). 38. Shri Vikram Cotton Mills, Narghat, Mirjapur (UP). 39. Sodepur Cotton mills, Sodepur (WB). 40. Sree Yallamma Cotton, Woollen & Silk Mills, Yallamnagar (Mysore). 41. Sri Kothandram Spg. Mills, Madurai (Tamil Nadu). 42. Sri Sarada Mills, Podanur (Tamil Nadu). 43. Suraj Textile Mills, Malout Mandi, (Punjab). 44. Tirupathi Cotton Mills, Reningunta (AP). 45. Vidarbha Mills (Berar), (Maharashtra). 46. Viiaymohini Mills, Trivandrum (Kerala).

Referring to the Ordinance for the take-over of the management of the 46 sick textile mills, Mr L.N. Mishra, Minister of Foreign Trade, stated that this is a major step taken by the government to ensure the health of the textile industry which is so important for the common people. The Ordinance would enable over 1.1 lakh workers to keep their jobs in these mills. Most of these mills, he said, were engaged in the production of coarse and medium varieties of cloth required by the weaker sections of the community.

Hotel Bills in Foreign Exchange

The Federation of Hotel Restaurant Associations of India has made a special plea to the union government that the proposal to raise the rupee tariff by 33½ per cent should be further examined in the light of their representation submitted to the Minister of Tourism and Civil Aviation recently. In view of the assurances with regard to foreign exchange payments, the government has agreed that the enhancement of the rupee tariff may be deferred for a short period to enable detailed consideration of the representation as well as submission by the Federation of further data in support of their plea.

The government has welcomed the assurances of the

travel trade that every effort would be made to ensure that foreign nationals and non-resident Indians paid their hotel bills in foreign exchange. For this purpose special money changing facilities are being extended by the Reserve Bank of India.

Indigenous Aircraft Airworthy

Indigenously designed and produced Revathi MK II, a powered basic trainer, and Mrigasheer, a high performance sail plane, were formally given airworthiness certificates at a ceremony recently at Safdarjang airport. Dr Karan Singh, Minister for Tourism and Civil Aviation presided. Both these aircraft have been designed and constructed by the Technical Centre of Civil Aviation Department, New Delhi by a team led by Mr K.B. Ganesan and consisting of Messrs P.R. Chandrasekhar, R. Narasimhan, Y.P. Bawa and H.S. Khola. Revathi MK II is an improvement on Revathi MK I which was certified in January 1969. The technical evaluation of this aircraft was done by the Indian Institute of Technology, Kanpur and its flight testing at various stages was done by Gp Capt Kapil Bhargava, Wg. Cdr. A.S. Lamba, Sqn Ldrs. S. Krishnaswami and J. Thomas of the aircraft and systems testings estabilishment of the Air Force. The MK II has all metal wings, increased fuel capacity, more sophisticated instrumentation, including VHF and ILS equipment, duplicated wheel brakes and throttle control, integral fuel tanks, large span slotted flaps and reduced vertical tail surface area.

Nine New Trains

Jammu station will be opened to passenger traffic shortly. The Sringar Express from New Delhi to Pathankot and the Sealdah-Pathankot Express will operate up to Jammu, instead of terminating at Pathankot. The Kathua-Jammu section was opened to goods traffic on October 2. The Minister for Railways, T.A. Pai, told the Consultative Committee of Members of Parliament attached to the ministry recently that nine new trains would be introduced on November 1, when the new Railway time table comes into force. Also, six other trains are to be extended. Besides, three pairs of trains would be converted from passenger to express trains. The new trains are: a pair of daily express trains between Patna and Dhanbad, between Secunderabad and Nizamabad, a pair of shuttle train between New Jalpaiguri and Siliguri, one passenger train from Collem to Vasco-da-Gama, a pair of fast passenger trains between Barharwa and Kiul by extension of the Burdwan-Barharwa passenger and a passenger train between Varanasi and Chupra. A bi-weekly express train between Rourkela and Puri has already started operating from October 2, 1972.

Syndicate Bank Scheme

A special and rather popular variety of brinjal called "Mattu-gulla" is grown by about 800 small farmers in 300 acres in Mattu village in Udipi district, Karnataka. The Syndicate Bank (which, incidentally is the "Lead bank" in the district) has been financing brinjal-growers for the past few years. It introduced, a package programme of prophylatic spray with credit facilities for the first time during the 1972 crop season. An agro-service centre set-up under the self-employment scheme with the Bank's finance was entrusted with the work of spraying by the farmers. The programme was successfully carried out and the beneficiaries have reported increases in income ranging from 10 to 15 per cent.

American Express

Mr Howard L. Clark, Chairman of the Board, American Express Company and Mr James Robinson, III, President of American Express International Banking Corporation, were in India in late October. They are on a world business trip and in India they visited Bombay, Delhi and Calcutta. They investigated the industrial fields where they are helping to finance expansion with rupee or hard currency loans. They also studied ways in which tourist traffic to India can be increased through the American Express Company.

Trade Protocol with Czechoslovakia

At the end of high-level discussions held between Foreign Trade Minister, Mr L. N. Mishra and the visiting Deputy Prime Minister of Czechoslovakia, Mr J. Gregor, a Trade Protocol for 1973 was signed in New Delhi. The Protocol envisages a trade turnover of Rs 130 crores between the two countries in 1973, an increase of about 18 per cent over the 1972 estimated level. In their disucssions, both ministers are understood to have agreed to explore further possibilities for stepping up trade and economic relations between the two countries. Mr Mishra expressed satisfaction that Indo-Czechoslovak trade has become diversified and is no longer confined to traditional items. Mr. Gregor is understood to have said that his country is interested in finalishing long-term arrangements with India. A good base, be said, has been built through the mechanism of Indo-Czechoslovak Joint Committee. Besides exports of various traditional commodities like deoiled cakes, cashew kernels, tea, coffee, cotton yarn, cotton textiles, jute manufactures, etc. from India to Czechoslovakia, there are a number of engineering and non-traditional items, including consumer goods, such as, ready-made garments, linoleum, textile machinery, machine tools, drugs and medicines, wall tiles, hand tools and small tools, sanitary fittings, pipes and fittings, toileteries and cosmetics, synthetic detergents, in the Trade Protocol. The principal items of import into India from Czechoslovakia during 1973 will be components and spare parts for tractors, mechine tools, steel and steel products, newsprint, components and raw materials for Czechoslovak - assisted industries, shunters, refractories, printing and polygraphic machinery, etc.

Trade Protocol with GDR

At the end of discussions held between Foreign Trade Minister, Mr L. N. Mishra, and the GDR Minister of External Economic Relations, Mr Horst Soelle, in New Delhi recently, a Trade Protocol envisaging a trade turnover of Rs 69 crores between the two countries in 1973 was signed. Besides exports of various traditional commodities such as deoiled cakes, cashew kernels, tea, coffee, cotton textiles, jute manufactures etc a number of engineering and non-traditional items, including consumer goods, have been included for exports to the GDR. Some of these items are ready-made cotton garments, linoleum, shoes and chappals, leather goods and garments, sports goods, electrial motors and switch gears, hand-knitting machines, machine tools, wire ropes, aluminium cables, castings and forgings etc. The prinipal items of India's imports from the GDR during 1973 will be printing machinery, steel and steel products, textile machinery, optical and scientific instruments, X-Ray films, cinematographic colour films, chemicals, muriate of potash (fertilizer grade), potassium chloride, etc. Views on other matters of mutual interest for expansion and diversification of trade between the two countries were also exchanged. The Protocol was singed by Mr. Y.T. Shah, Additional Secretary, Ministry of Foreign Trade, on behalf of the union government and by Mr. F. Clausnitzer, the GDR Deputy Minister for External Economic Relations, on behalf of the government of the GDR.

Paper Project in Kenya

The foundation stone of the Pan African Paper Mills (EA) Ltd, being set up at Broderick, Kenya, with Indian technical know-how and management, was laid by Mr Jomo Kenyatta, President of Kenya recently. The Orient Paper Mills Ltd

is the Indian collaborator. The biggest industrial undertaking in East Africa, the Rs 31.39 crore joint venture will have a manufacturing capacity of 150 tonnes of pulp and paper per day. A chemical plant attached to it would produce 12 tonnes of caustic soda and chlorine daily.

The President Mr. V. V. Giri, in a massage, has described the project as a landmark in Kenya's industrial development which will further strengthen the bonds of friendship and co-operation between Kenya and India. Prime Minister Indira Gandhi, while greeting the people of Kenya on the occasion said that, India has always been ready to share its experience with "our Afro-Asian neighbours.'

Textile Export Corporation

A Textile Export Corporation is being set up to take-over the export of mill made cloth produced in the country. It will start functioning from December 1. A decision to this effect was taken by the union cabinet recently on the basis of the proposal made by the Minister for Foreign Trade, Mr L.N. Mishra. While announcing the government's decision to take over the export trade, Mr Mishra recently stated that this step had become necessary because the private trade and industry had not exploited the cloth export potential in full. Export promotion was the kingpin of the economy. It has been decided that the proposed corporation will take-over the export trade in a phased manner, consistent with its capacity to deal with exports, and in order to cause the least difficulty to the existing exporters.

Wanchoo Retires from NPC

Mr N. N. Wanchoo, has recently retired as Chairman of the National Productivity Council. He pointed out that industrial organisations now prefer candidates trained by the NPC in the concept and techniques of productivity for recruitment to their supervisory positions. The NPC, he stated, devoted special attention to the education of workers in the concept and techniques of productivity, and programmes specifically suited to their needs were conducted. On an average 500 workers were being trained every year. In 1970, a supervisory development scheme was launched under which supervisors and skilled workers qualify themselves for the award of National Certificate in Supervision. About 600 candidates were declared successful in the first examination held in November 1971 and 2,250 were due to appear in the 1972 examination. Another 800 had already registered themselves for the examination to be held in 1973. Among other activities of the NPC, Mr Wanchoo mentioned a productivity survey and implementation service to the small-scale industries, promotion of sound industrial relations and exporting productivity know-how to neighbouring countries. The productivity survey and implementation service had become popular and special cells were functioning in Tamil Nadu, Punjab and Mysore.

Railways Raise Demurrage Charges

With a view to preventing businessmen from treating railway wagons as virtual warehouses and improving the turnround of wagons, the Railway Board had decided to raise the maximum demurrage and wharfage charges from Rs 150 to Rs 240 per wagon and also to reduce the period of bailee's liability after termination of transit from 30 days to seven days. This was disclosed by the Railway Minister Mr T. A. Pai, here recently.

Mr Pai pointed out that an important reason for the current wagon shortage in the country was the poor rate of turn-round. Businessmen found it cheaper to leave their cargo in railway wagons than to shift it to godowns. So wagons sometimes were left unloaded for several weeks. He felt that a 10 per cent improvement in the utilisation of wagons would give a big boost to railway revenues.

The maximum demurrage rate is being increased from 30 to 40 paise per tonne per hour or part of an hour on the carrying capacity of a wagon. The maximum wharfage rate per 50 kgs or part thereof per day or part of a day is being increased from 35 to 50 paise for big stations and depots where congestions generally occur. The increase at the smaller stations will be on a a lesser scale. The rates will be telescopic, with increases depending on the detention period. For vegetable oil tank wagons, which suffer very heavy detention at terminal points, it is proposed to raise the demurrage charges to 60 paise per tonne.

The Minister also disclosed a scheme for the reorganisation of the RPF. The scheme does not envisage any increase in the present budget provision for RPF. It envisages formation of three independent branches of RPF with individual responsibility for investigation, protection and prosectuion. The three branches are to be constituted out of the existing uniformed strength and armed wings of RPF. The present system of fixed point of duty in railway yards, stations, etc., is being replaced by beat cum-petrol duty tasks to be performed by the protection branch which will be armed.

Referring to the performance of railways during the current fiscal year, Mr Pai said that it had been reasonably satisfactory till now. Between April and September, the railways moved 83.44 million tonnes of goods, as against 81.25 million tonnes during the same period last year. About a million tonnes additional goods traffic was moved by the railways during October, as compared to the movement in the corresponding month in 1971. Another significant development was that the goods traffic lead had increased to 750 Kms, which was a record till now. It was too early to say whether there will be a surplus in railway revenues due to the fact that, the expenditure too had gone up quite considerably. The recently announced labour award would cost the railways about Rs 12.5 crores. The capital expenditure was expected to exceed the budget estimates by about Rs 12 crores. The impact of the extra interim relief granted to railway employees was estimated around Rs 13 crores.

Mr Pai further announced that a fast janta express train was proposed to be introduced on the north-south Grand Trunk route from January 26. There was no proposal to introduce any new Rajdhani Express for the time, being he added.

New Appointments

The following appointments of Secretaries were announced on November 1, 1972. 1. B.D. Pande, Secretary, in the Ministry of Finance to be Cabinet Secretary vice Mr T. Swaminathan. 2. Mr M.R. Yardi, Secretary, Department of Expenditure, Ministry of Finance to be Finance Secretary vice Mr B.D. Pande. 3. Mr M.G. Kaul, Additional Secretary, Department of Economic Affairs-Ministry of Finance to be Secretary in the same department from the date of taking charge vice Dr I.G. Patel proceeding on deputation to UNDP. 4. Mr H.C. Sarin, Secretary, Department of Steel in the Ministry of Steel and Mines to be Secretary, Department of Mines and Metals and in the Department of Heavy Engigneering, both in the same ministry. 5. Mr T.P. Singh (Jr.) to be Secretary, Department of Agriculture from the date of taking charge vice Mr T.P. Singh (Sr.). 6. M.A. Quraishi, Special Secretary, Ministry of Agriculture to be Secretary, Department of Co-operation and Community Development.

Mr K. B. Lal has been appointed Principal Secretary in the Ministry of Defence.

Mr A. N. Kidwai, Chairman, Damodar Valley Corporation, has been appointed Secretary, Works & Housing.

COMPANY AFFAIRS

West Coast Paper

THE DIRECTORS of West Coast Paper Mills have recommended an equity dividend of 13 per cent for the year ended June 30, 1972, the same as declared for 1970-71. They have also proposed to issue 60,000 bonus shares in the ratio of one-for-four by capitalising a sum of Rs 60 lakhs from the reserves. Further they have decided to issue 60,000 equity shares of Rs 100 each as rights shares at a premium of Rs 40 per share or at such other premium as may be determined by the Controller of Capital Issues and agreed to by the company's board. The rights shares will rank for dividend from the year beginning from July 1974. The above proposals, are, however, subject to the consent to the Controller of Capital Issues and financial institutions.

The company has suffered a setback in its working during the year 1971-72. Although sales have gone up by about 10 per cent from Rs 8.13 crores to Rs 8.96 crores, gross profit has dropped to Rs 181.15 lakhs from Rs 202.91 lakhs in 1970-71. Out of the gross profit, a sum of Rs 66.90 lakhs was earmarked for depreciation, Rs 31 lakhs for development rebate reserve, and Rs 36.50 lakhs for taxation as against Rs 62.10 lakhs, Rs 8.25 lakhs and Rs 78.50 lakhs, provided respectively in 1970-71. This leaves a lower net profit of Rs 46.75 lakhs which was Rs 7.31 lakhs less than in the previous year. After some adjustments a sum of Rs 53.43 lakhs was transferred to general reserve out of which dividends will be paid. In 1970-71 the allotment to general reserve amounted to Rs 78.57 lakhs. Although production during the year improved from 42,651 tonnes to 43,098 tonnes, the production could have been higher but for the shut down of the machines to instal the balancing equipment. The working results too would have been more encouraging but for the rising prices of chemicals, stores, an increase in the wage bill and additional cost of war risk insurance.

Andhra Pradesh Paper

Andhra Pradesh Paper Mills has fared extremely well during the year ended June 30, 1972, with production, sales and gross profit recording significant improvements over the previous year. With a rise in sales of more than 25 per cent from Rs 9.58 crores to Rs 12.04 crores, the gross profit has moved up sharply by nearly 32 per cent to Rs 2.94 crores from Rs 2.23 crores in 1970-71. Production too was up by about 15 per cent from 51,179 tonnes to 59,692 tonnes. Encouraged by the working results the directors have recommended a maiden equity dividend of Rs 10 per share for 1971-72 besides clearing the dividends on preference shares for 1968-69, 1969-70, 1970-71 and 1971-72.

With a surplus of Rs 52 lakhs brought forward and a write back of Rs 13.69 lakhs from the tax credit certificate reserve, the disposable surplus for the year amounted to Rs 3.60 crores out of which a sum of Rs 1.99 crores has been provided for depreciation for 1970-71 and 1971-72. After taking into account the payment of preference dividends for 1966-67 and 1967-68 aggregating Rs 13.45 lakhs, the directors have transferred almost the entire surplus of Rs 1.48 crores to the general reserve. The total preference dividends for 1968-69 to 1971-72 amounting to Rs 38 lakhs, and the proposed equity dividend aggregating Rs 37.50 lakhs will be paid out of the general reserve.

Bombay Burmah

The working of Bombay Burmah Trading Corporation Ltd during the year ended May 31, 1972 has resulted in a lower gross profit of Rs 1.83 crores as against Rs 1.88 crores for the preceding year. Its turnover too was lower at Rs 4.05 crores as compared to Rs 4.84 crores in 1970-71. The directors of the company have already proposed a higher final dividend of 13 per cent, including a special non-repeatable extra dividend of two per cent. This together with the interim of seven per cent, makes a total of 20 per cent for 1971-72 as against 17 per cent paid for the previous year. In addition the directors have proposed an issue of bonus shares in the ratio of one share for every five shares held. Regarding the higher dividend the directors state that they have recommended this enhanced distribution after full consideration of the accounts and an examination of the resources and reserves which may be needed to finance possible developments in current and future years. The directors have also stated that the extra dividend of two per cent has been recommended on account of good results of overseas operations and South India estates and as a way of partially franking the forthcoming bonus issue. The directors feel that the company will be able to maintain the dividend of 15 per cent on the enlarged capital for the current year.

Out of the gross profit of Rs 1.83 crores, for 1971-72, a sum of Rs 17.37 lakhs was appropriated to depreciation reserve, Rs 1.30 lakhs to development rebate reserve, Rs 1.90 lakhs to tea development allowance reserve, and Rs 90 lakhs to taxation reserve as against Rs 17.15 lakhs, Rs 2.24 lakhs, Rs 1.03 lakhs and Rs 87 lakhs provided respectively in 1970-71. This leaves a lower net profit of Rs 72.44 lakhs as compared to Rs 80.43 lakhs in the previous year. Dividends will absorb Rs 73.56 lakhs as against Rs 62.53 lakhs in the previous year. The company has not able to make any headway in respect of its diversification programme. The electronics project has progressed but rather slowly than earlier expectations. The directors have decided not to proceed with soda ash project.

Khandelwal Udyog

Khandelwal Udyog is expected to earn record profits and sales during 1972. It has already exceeded the total performance of 1971 in the first nine months ended September 1972. Sales up to the end of September this year amount to Rs 1.25 crores and the provisional working results show a pre-tax profit of Rs 20.33 lakhs after providing for depreciation. Fresh orders worth Rs 1.90 crores have been booked and many more are expected this year. The company has applied to the government for expansion as well as for diversification and has also sought the permission for extension of the technical collaboration agreement with Messrs Munck International with additional lines in crane manufacture. Negotiations are on for foreign collaboration for gas generators and primary furnances.

Consolidated Coffee

Mr M.A. Sreenivasan, Chairman, Consolidated Coffee Ltd, devoted a considerable part of his annual address in pinpointing the unsettling effects the government's recent policies have produced on the economic climate of the coun-

try. Fresh proposals such as the take-over of an important industry, or an entire trade, or a bill to impose or lower a ceiling, or the so called compensation paid in case of nationalisation, or the new thinking on land reforms, or introduction of a host of other new schemes, have created such a climate of anxiety and uncertainty that it tends to make a mockery of budgets and make planning an exercise in futility.

Diverting to plantation industry the chairman referred to the anomaly and inequity of the tax of 60 per cent on the income from coffee cultivation in excess of a lakh of rupees. It is now about 10 years since the government of Mysore recognised the oppressive aspect and the injurious — rather ruinous — nature of this burden on the state's leading agro industry. Moreover repeated assurances of relief were given by successive chief ministers and finance ministers. What is more, the Mysore Taxation and Resources Enquiry Committee too recommended, in September last year, relief in the form of depreciation allowance on planted assets and a lowering of the 60 per cent rate. The government was again quick in assuring the industry that the recommendations would be implemented without any delay. But the matter has assumed all poignancy due to the fact that rise in wage bill recently agreed upon will impose an additional burden, involving a progressive increase in cost from Rs 10 to 15 lakhs a year to the company alone apart from the steep increase in liabilities under the Bonus Act and the Gratuities Act while the price realised from coffee will suffer a reduction as a result of the export of a large tonnage of coffee at less than the cost of production.

The chairman fervently hoped that the government will not fail to give effect to the recommendations of the committee in the next budget. It is in this trust and hope, the company, despite fears and forebodings, is going ahead full steam with its programme of rehabilitation and expansion of production of coffee with the cultivation of cocoa.

Delhi Cloth

Delhi Cloth and General Mills Co. Ltd has made satisfactory progress in the execution of its several schemes. The replacement of 35,000 spindles and 400 looms at the new textile mill at Dasna has been completed. Although the factory has started its operations it is expected to run at its full efficiency within the next few months. The company has already received the government's consent to expand the fertiliser plant by 50 per cent. The work on construction has already commenced and every effort is being made to expedite the implementation of the increased capacity. The company has started production of electronic desk calculators which have been produced entirely by indigenous know-how developed by the company. This was disclosed by the Chairman, Dr Bharat Ram while addressing the annual general meeting of the company.

For raising the living standards and to offer new opportunities to the masses the chairman suggested setting up of new industries by larger enterprises in backward areas especially in centres where poverty is quite acute. Apart from fiscal incentives which may be necessary for the starting of such industries, the biggest incentive, according to the chairman, could be the availability of power. Therefore the chairman made a strong plea to the government to concentrate on quick development of power and other infrastructural facilities. Here too the chairman felt that the private sector may be able to contribute its bit thereby accelerating the economic development of the country. The chairman also pleaded for a pragmatic wage policy based on rational principles and linking of bonus to production and profits.

News and Notes

Expansion and Diversification

Tata Chemicals has received a letter of intent for expanding further its soda ash capacity from 360,000 tonnes to 500,000 tonnes per year. Its plans for the implementation of the capacity to 360,000 tonnes are already underway and the programme is scheduled to be completed in early 1974. The schemes for creating additional production capacity for caustic soda and for utilising chlorine towards the manufacture of phosphoric acid and phosphates of sodium are under government consideration and are expected to be cleared in the near future. The company has also submitted proposals for enlarging facilities for design and manufacture of complete soda ash plants. The Argentina government has revised its interrest in installing a soda ash complex in Argentina and is currently negotiating with the bidders and the company is keenly pursuing the proposal. The government has modified and extended the letter of intent for the fertiliser project which is valid up to November 20, 1972 but it has not been possible for the company to comply with the stipulated

Eastern Economist 25 Years Ago

NOVEMBER 14, 1947

The idea underlying Government participation in the industry appears to be that it cannot secure predominant and effective control except by obtaining a major share in the capital. Transport is one of the basic industries which has its peculiar importance from the viewpoint of security. Recent trend in other forms of transport is increasingly in favour of state ownership and control. The schemes of road transport accepted by different provinces are a case in point. The plan of post war development of external air services prepared by the Civil Aviation Department envisages the establishment of corporations owned and controlled jointly by Government and existing air company on these lines was announced by the Government recently. Another weighty consideration probably was that Government would be called upon to render substantial financial aid to the industry. Government may have been influenced in its decsion by the fact that a merchant navy, apart from its necessity for the country's seaborne trade, constitutes a second line of defence. The existing size of our mercantile marine is so exceedingly small and such a considerably leeway is to be madeup with in a comparatively short time that the whole problem seems to be invested with a sense of urgency. Mr Bhabha was emphatic in pointing out that the growth of shipping would be disappointingly slow, if the state had to rely on private enterprise. But Government's direct and financial interest in the industry will have a decisive effect in attracting private capital and enterprise in what would otherwise be apprehended as a hazardous venture. Unhealthy competiton would be eliminated and private monopolies would be prevented. It is only a government sponsored organisation that can give a reasonable hope of rapid expansion of India's shipping industry.

conditions in the absence of government's decision on the choice and the pricing of feedstocks and other related issues.

New Issues

Mangalore Chemicals and Fertilizers Limited is entering the capital market on November 14 with a public issue of Rs 8.80 crores comprising 72,99,870 equity shares of Rs 10 each and 1,50,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 both at par. The list will close on November 30 or earlier but not before November 16. The entire public issue is underwritten. The company is setting up a naphtha based fertilizer project at Panambur, near Mangalore port. The plant will produce annually 2.18 lakh tonnes of ammonia, a major portion of which will be utilised in the production of 340,000 tonnes of urea, which in terms of plant nutrients equals 178,000 tonnes per annum of nitrogen and work on the project has already commenced. Commercial production is expected to begin from October 1974.

According to present indications the company would be able to clear the arrears of preference dividend out of the profits earned for 1975-76 and would be able to pay a maiden equity dividend of at least 10 per cent for 1976-77. An equity dividend of 12.5 per cent is expected to be declared for 1977-78 and 15 per cent for 1978-79. The capital outlay on the project is estimated at Rs 58 crores out of which the foreign exchange component is Rs 20.84 crores which will be met out of credits granted by the British and the Netherlands governments. This project, which will be the first large scale fertilizer plant to be put up in Mysore, will be in the joint sector. The Mysore government has been associated with the project since its inception. MSIIDC, Mysore State Co-operative Marketing Federation Ltd (MSCMF) and Mysore State Agro Industries Corporation Ltd (MSAIC) are the promoters of the company. The Mysore government has agreed to supply power at about four paise per kw for a period of 10 years and it reflects the earnestness of the state government in making this project a great success.

Maharashtra Steels, which is setting up a mini steel plant by installing a 10 tonne electrice arc furnace at Nagpur, will be entering the capital market shortly with a public issue of about 1,50,000 equity shares of Rs 10 each. The annual installed capacity of the plant will be 18,000 tonnes of m.s. billet size ingots. The promoters are confident of achieving, under any circumstance, production of 15,000 tonnes per annum. On present reckoning they expect that the company will be in a position to declare an equity dividend from the very first year of its production. Orders have already been placed for the electric furnace with Hindustan Brown Boveri Ltd which is now ready for delivery. Messrs W.S. Atkins Private Ltd have been retained as technical consultants for the project. The capital cost of the project is estimated at Rs 1.20 crores and it will be financed by the share capital — equity and preference shares — of Rs 48 lakhs and long term loans of Rs 27 lakhs to be obtained from SICOM and IFC.

Capital and Bonus Issues

Consent has been accorded to eight companies to raise capital amounting to over Rs 5.67 crores. Following are the details:

The Century Spinning and Manufacturing Co. Ltd., Bombay, has been granted consent to issue bonus shares worth Rs 3,54,88,200.

British Paints (India) Ltd., Calcutta, has been accorded permission, valid for 3 months, to capitalise Rs 35 lakhs out of its General Reserve and Share Premium Account and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of seven bonus shares for every 15 equity shares held.

Matheson Basanquet & Co. Ltd., Coonoor, has been accorded consent valid for 3 months to issue capital of Rs 9,36,000 in fully paid bonus shares of Rs 100 each on capitalisation of its general reserve to a like extent.

German Remedies Private Ltd., Bombay has been accorded consent, valid for 3 months to capitalise Rs 12 lakhs out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for every ten equity shares held.

Vanaz Engineering Private Ltd., Bombay, has been accorded consent, valid for three months to capitalise Rs 1,25,000 out of its General Reserve and issue fully paid equity shares of Rs 25 each as bonus shares in the ratio of one bonus share for every five equity shares held.

Lakhanpal National Ltd, Bombay, has communicated to government of its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969, to the extent of Rs 62.50 lakhs in equity shares of which Rs 20,83,340 will be offered to the public through prospectus. The proceeds will be utilised for establishing a new undertaking for the manufacture of dry cell batteries at Baroda.

Capital Lighting & Electronics Products Ltd, New Delhi, has made a statement of proposal of Rs 30 lakhs (Rs 25 lakhs in equity shares and Rs 5 lakhs in preference shares) and the same has been acknowledged by the government. The proposed issue will be utilised for setting up a project for manufacture of 4.5 million numbers of GLS (General lighting services) lamps at Hyderabad.

Indo-National Ltd, Madras, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the extent of Rs 62,50,000 in equity shares of Rs 10 each for establishing a new undertaking for manufacture of dry-cell batteries at Nellore.

Company Registrations

A total of 295 companies registered under the Companies Act, 1956 in different states and union territories of India during the month of March 1972. Of these, only one was "association not for profit", registered as guarantee company. Of the remanining 294 companies, all of which limited by shares, 26 were public limited and 268 private limited, having an aggregate authorised capital of Rs 44.94 crores and Rs 91.53 crores respectively. Seven of them were government companies. Details regarding the name of the company; state of registration and authorised capital are given below: Assam State Text Book Production and publication corporation Ltd—Assam—Rs 50 lakhs; Bihar State Dairy Corporation Pvt. Ltd.—Bihar—500 lakhs; Cochin Shipyard Ltd. — Kerala — Rs 50 crores; Kerala State Textile Corpn. Ltd — Kerala — Re. 1 crore; Aravalli Svachalit Vahan Ltd — Rajasthan — Rs 2 crores; Uttar Pradesh State Cement Corpn. Ltd — Uttar Pradesh — Rs 20 crores; Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Ltd — Uttar Pradesh —Rs 5 crores.

Of the companies registered during the month, 27 were large companies, each having an authorised capital of Rs 50 lakhs or above. Maharashtra reported the highest number of new registrations and Tamil Nadu of companies that had ceased functioning. The statewise distribution of new registrations (with liquidations and struck off companies given in brackets) is as follows: Maharashtra 79 (3), West Bengal 43 (4), Delhi 31 (3), Tamil Nadu 21 (13), Gujarat 20 (4), Andhra Pradesh 17 (1), Mysore 15 (—), Kerala 11 (1), Bihar 10 (1), Rajasthan 9 (—), Uttar Pradesh 9 (—), Madhya Pradesh 6 (—), Assam 5 (—), Punjab 5 (—), Goa, Daman & Diu 4 (—), Orissa 3 (—), Haryana 2 (—), Meghalaya 2 (—), Himachal Pradesh 1 (—), Chandigarh 1 (—). The industrial classification of those companies with the classification of companies which ceased functioning in brackets, is as follows: processing and manufac-

ture 151 (10), commerce (trade & finance) 86 (12), other activities 57 (8).

Interim Dividends

Pfizer Ltd has announced the payment of the third interim equity dividend of five per cent for the year ending November 1972. Part of the dividend is expected to be exempt from tax. With the two interim dividends already declared, the total distribution so far amounts to 15 per cent as compared to 19 per cent paid last year. With the final dividend of eight per cent, the total distribution for last year came to 27 per cent. The interim dividend now declared will be payable to the shareholders who are on the company's register as on December 1.

Chemicoat has declared a maiden interim dividend of five per cent for the year ending March 31, 1973.

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the three weeks ended July 22, 1972. The list contains the names and addresses of the licensees, articles of manufacture, types of licences viz. New Article (N.A.); New Undertaking (N.U.) Substantial Expansion (S.E.); Carry on Business (C.O.B.); shifting and annual installed capacity.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Maharashtra Vegetables Products (P) Ltd., Udyognagar, Dhulia, (Maharashtra) (Udyognagar - Dhulia - Maharashtra) — Tin containers of 18 litre capacity for captive use. 900 tonnes p.a. (COB); M/s Western India Vegetable Products Ltd; Hasham Premji House, 5, Ghoga Street, Bombay-1. (Amalner-Maharashtra) — Tin Containers of 18 litre capacity for captive use—2000 tonnes pa—(COB)

Metallurgical Industries (Non-Ferrous)

M/s Vijay Industrial Works, 532, Mahatm Gandhi Road, P.O. Paschim Putiary, Calcutta-41. (West Bengal—Aluminium Alloy Ingots Rods and Castings — 180 tonnes Aluminium Strips, Wires & Rods — 120 tonnes—(NA).

Electrical Equipments

M/s Hindustan Brown Broweri Limited, Brown Boveri House, 264-265, Dr Annie Besand Road, Bombay-25, DD. (Baroda-Gujarat) — Electric Furnaces of all types— 56,000 KW additional capacity—(SE).

Transportation

M/s K.S. Diesels Pvt Ltd; 19-21, Hamam Street, Bombay-1. (Rajkot-Gujarat) — Test Benches—100 nos. Nozzle Testers — 10,000 nos — (SE).

Machine Tools

M/s Shreno Ltd., Alembic Road, Industrial Area, Baroda-3. (Baroda-Gujarat) — Bottle making machines — 5 numbers Pressware Machines — 2 nos; Decorating Machines—8 nos.; Decorating Lehr — 2 nos.; Annealing Lehr — 7 nos.; Stacker — 10 nos.; Glass Feeder with forehearth and Gob feeding mechanism — 7 nos.— — (NA); M/s Janata Machine Tools Ltd, India House, Opp. G.P.O., P.O. Box No. 1478, Bombay-I. (Thana-Maharashtra) — Single Spindle Automats — 96 nos. — (COB).

Earth Moving Machinery

M/s Jessop & Co. Ltd., 63, Netaji Subhas Road, Calcutta. (Dum Dum-West Bengal) — Crawler Tractors with Dozer and Loader attachments upto 100 HP Hanomag K5B K7B — 400 nos. —(NA)

Office and Household Equipment

M/s Kelvinator of India Ltd., 19-A, Alipore Road, Delhi-6. (Faridabad-Haryana) — Domestic Refrigerators including compressors for captive use only—Present annual capacity — 32,500 nos. p.a. (Plus an additional capacity of 1625 nos. compressors) — Annual Capacity. (After Expansion — 1,00,000 nos. (plus an additional capacity of 337 nos. compressors representing 5% of the expanded capacity of 67,500 nos. of Refrigerators, for after sale services and replacement purposes but not for increasing the capacity of domestic refrigerators. —(SE).

Chemicals (other than Fertilizers)

M/s East Anglia Plastics (India) Ltd., 'East Anglia House', 3, Camac Street, Calcutta-16. (Dum Dum-Calcutta West Bengal) — Cellulose Acetate Moulding Powder — 2200 tonnes —(COB); M/s Travancore Chemicals & Mfg. Co. Ltd.. Kalamassery, Alwaye-4. Kerala. (Konur-P.O. Near Mettur Dam-Tamil Nadu)— Barium Chloride — 1800 tonnes; Barium Carbonate — 500 tonnes; Sodium Sulphade —500 tonnes — COB).

Textiles

M/s Madura Mills Co. Ltd; Madurai. (Madurai-Tamil Nadu) — Cotton Canvas and Ducks — 100 automatic looms. —(SE); M/s Madura Mills Co. Ltd; Madurai. (Aladiyoor Village—Ambasamudram-Trunelveli Distt. Tamil Nadu) — Cotton Cloth — 400 automatic loom. — (SE); M/s Rajasthan Spinning & Weaving Mills Ltd., Bhilwara, Rajasthan. (Bijaynagar-Rajashtan) — 25,000 spindles and 300 looms for the manufacture of cotton yarn and cloth.—(NU).

Paper & Pulp

M/s West Coast Paper Mills Ltd., Shree Niwas House, Waudhby Road, Fort, Bombay-1. (Dandeli-Mysore) — Pulp and Paper — Expansion from 45,000 tonnes to 60,000 tonnes — (SE).

Sugar

Shree Panchaganga Sahakari Sakhar Karkhana Ltd., Ganganagar — Ichalkaranji, Distt: Kolhapur, Maharashtra — Ganganagar — Ichalkar-

Dividends

(Per cent)

Name of the Company	Year ended	Equity dividend declared for	
		Current year	Pervious year
Higher Dividend			
Tata Yodegawa	March 31, 1972	6.0*	Nil
Mettur Beardsell	March 31, 1972	20.0	19.0
Cauvery Sugars and Chemicals	June 30, 1972	10.0	Nil
Kaycee Industries	June 30, 1972	7.5	7.0
Same Dividend			
Super Spinning Mills.	March 31, 1972	12.0	12.0
Indian Plastics	March 31, 1972	Nil	Nil
Khatau Dyes and Fibres	June 30, 1972	Nil	Nil
Hindustan Wires	March 31, 1972	10.0	10.0
East India Hotels	March 31, 1972	10.0	10.0
Raza Textiles	December 31, 1971	Nil	Nil
Reduced Dividend			
Sri Venkatesa Mills	December 31, 1971	6.0	12.0
Marikar Motors	March 31, 1972	9.0	12.5

*Maiden dividend

anji — Distt. Kolhupur — Maharashtra) Sugar — Expansion from 2500 tonnes to 3000 tonnes of sugarcane per day.—(SE).

Fermentation Industries

M/s Daurala Sugar Works, Daurala (Meerut-UP) — Alcohol—20.4 M. litres—(COB.)

Vanaspati

M/s Duli Chand Omraolall, Hindustan Building, 4, Chittaranjan Avenue, Calcutta-13. (Calcutta - West Bengal) — Vanaspati — 50 tonnes—(NA).

Cement & Gypsum Products

M/s Assam Cement Limited, 26-A, Cantonment, G.S. Road, Shillong, (Assam). (Mawmluh-Cherrapunjee-Distt. UK & J Hills-Assam) — Portland Cement — 200,000 tonnes (The total capacity after expansion will be 2.83 lakh tonnes — (COB).

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Guest, Keen, Williams Ltd., Jeewan Vihar, 3, Paliament Street, New Delhi-1. (Bhandup-Bombay-Maharashtra)—Wood Screws—8 million Gross (after expansion)—(SE); M/s Stumpp-Somappa Pvt. Ltd., Post Box No. 5078, Bangalore-I. (Bangalore-Mysore) — Light Coil Springs upto 45 gms. weight each and wire dia. 4 mm and below for meeting sophisticated requirements — 700 tonnes (After expansion); Heavy Coil Springs above 45 gms, weight each and wire dia., above 4 m—1500 tonnes. (After expansion) —(SE); M/s Zenith Tin Works Pvt. Ltd., Clerk Road, Mahalaxmi, Bombay-34. (Bombay Maharhastra) — Metal Battery Jackets and Components — 20 million nos. —(NA); M/s General Engineering Works, Industrial Area, Bharatpur, Rajasthan. (Bharatpur-Rajasthan) — High Tensile Bolts and Nuts —1800 tonnes; High Tensile Precision Socket Head Cap Screws —400 tonnespa—(NA); Shri Raj Kumar Bhartia, 23/24, Radha Bazar Street, Calcutta. (Ghaziabad-Uttar Pradesh—Copper Coated Wires — 2000 tonnes—P.C. Wires, A.C.S.R. Core Wires, Springs Steel Wire, Tyre Bead Wires, Cycle-spoke Wires, Galvanised Steel Wires of 16 SWG, and thinner only, Cable armouring wires, Electrode Core Wires, Annealed Wires; and. Cold Heading quality wires — 1800 tonnespa—(NU); Shri Hampiiah, Partner: M/s M.G. Automobile Engg. & Body Builders, Patel Nagar, Bellary-2. (Bellary-Mysore) — Hot Coiled Springs with Wire diameter above 10 mms.— 3000 tonnes—(NU).

Metallurgical Industries (Non-ferrous)

Shri Ram Niranjan Agarwala, 18, Amratolla Street, Calcutta-I. (24-Parganas—West Bengal) — Aluminium Collapsible Tubes — 12 million nos.—(NU); Shri Harbans Lal, 14/10 Civil Lines, Kanpur-I., (UP). (Kanpur-Uttar Pradesh) — Precious Metal Contacts and Bi-metal Strips—30 tonnes — (NU).

Electrical Equipments

M/s Madhav Capacitors (P) Ltd., Bharat Coal Compound, Bail Bazar, Kurla, Bombay-20. (Bombay-Maharashtra—Capacitors type potential and Current transformers 33 to 132 KV — 300 nos. p.a., Coupling Capacitors 33 to 132 KV —300 nos. p.a. DC Capacitors for Energy storage 2 to 300 KV—300 Nos. p.a. (NA). M/s Minicon Insulated Wires Pvt. Ltd., A-6, Industrial Estate, Sanathnagar, Hyderabad-18, (Hyderabad-Andhra Pradesh) — Winding Wires upto 41 SWG — 300 tonnes; Winding Wires 42 SWG and thinner — 50 tonnes — Litz Wires — 10 tonnes — (NU); M/s N.G.E.F. Ltd; Post Box No. 5384, Bangalore-I, (Bangalore-Mysore) — Silicon Power Diodes — Expansion from 10,000 nos. to 20,000 nos. —(SE); Shri M.V. Krishnamurthy, Director; Industrial Consultation Bureau, Gandhi Nagar, Bangalore-4. (Bangalore- Mysore/ Poona-Maharashtra/ Madras/ Tamil Nadu) — High Voltage DC Power Supplier Regulators Control Units, Solid State Inverters, Frequency Convestors, Pulse Monulators, Capacitor Charging and Discharging Systems, Oceanographic Seismic Sources, Modular Highly Regulated DC to DC and AC to DC Power Suppliers, Transformers-Meter Multipliers, Air Particle Samplers, Special Devices and Systers — Manufacture is geared upto export needs from time to time.—(NU); M/s Rajdhani Electrics (P) Ltd., C-492, Defence Colony, New Delhi. (Haryana) — Winding Wires (42SWG and Thinner) — 50 tonnes —(NU); Shri Des Raj Agarwal, 20/42, West Patel Nagar, New Delhi-8. (Ghaziabad-Uttar Pradesh) — Winding Wires upto — 41 SWG: 290 tonnes; Winding Wires 42 SWG and thinner — 50 tonnes — (NU); Shri N. Vishnu Vardhan Reddy, Panchavaty, 366-226/A, Himayatnagar, Hyderabad 29. (A.P.) (Hyderabad-Andhra Pradesh)— Winding Wires 42 SWG and thinner — 50 tonnes—(NU); M/s Sylvania Laxman Ltd; 68/2, Najafgarh Road, New Delhi-15. (New Delhi)— Glow Bottles (Glow Switches) — 6 million nos. —(NA); M/s Searsole Mining Industries (P) Ltd., 23, Mukhram Kanoria Rd; Howrah. (Raniganj-Burdwan-West Bengal) — Cinema Arc Carbons — 6 million paris. — (NU); Shri B.J.C. Wohra, 700, Revdi Bazar, Ahmedabad-2. (Ahemdabad-Gujarat) — Winding Wires upto, 41SWG — 300 tonnes Winding Wires 42SWG and Thinner — 50 tonnes — (NU); M/s Universal Cables Ltd; 15, India Exchange Place, Calcutta-I. (Satna — Madhya Pradesh) — Grooved Copper Contact Wire — 300 M.T. with the overall capacity licensed to the industrial undertaking — NA); M/s Gangappa Cables Ltd., Upparl Road, Hyderabad-39. (Hyderabad-Andhra Pradesh) — Enmelled Winding Wires up to 41 SWG— 550 tonnes; Enamelled Winding Wires upto 42 SWG and thinner — 50 tonnes — (SE); Shri Rajendra Kumar Bagrodia, 44, Ballygunje Circular Road, Calcutta-19. — (Jaipur-Rajasthan) — Winding Wires upto 41 SWG — 300 tonnes — (NU); M/s Madhya Pradesh Industries Corporation Ltd; Maheswari Bhavan, Civil Lines, Bhopal. (Bhopal-Madhya Pradesh) — Enamelled Strips — 300 tonnes; Winding Wires upto 41SWG 500 tonnes, nes; Winding Wires 42 SWG and above — 50 tonnes — (NA); — M/s M.R. Hegde & Dr. P. Seshamurthi, Karnal Villa, Mulki South Kanara Distt., Mysore State (Bangalore-Mysore)— Electro Cardiograph — 30 nos; Heart Rate Meter — 20 nos; Respiration rate Meter — 20 Nos; Hearing Aid — 500 nos.; Cardiac Pace Maker — 50 nos. ; Blood Flow Rate Meter — 20 nos; Intensive Care Unit — 10 nos; Cardiac Care Unit — 10 nos; Fetal ECG Monitor — 10 nos; Aneasthesia Monitoring — 100 Electro Encephalograph — 6 nos — (NU).

Transportation

M/s Usha Telechoist Ltd; Princep Street, Calcutta-13. (Faridabad-Haryana) — Hydraulic Pumps—Control Valves —80,000 nos. and 60,000 nos. respectively after expansion.—(SE); M/s Western Maharashtra Development Coporation Ltd; Poona Municipal Transport Building, Shankarshet Swargate, Poona-9. (Poona/ Satara/Ahmednagar — (Maharashtra or Gujarat)—Scooters — 24,000 nos. — (NU). M/s Teksons Pvt. Ltd; Modi Chambers, Bombay-4. (Maharashtra) — Radiators — 36,000 after expansion. — (SE); M/s Gaskets & Oilseals (P) Ltd; Bil Padra Road, Baroda. (Gujarat)—Radiators — 25,000 (after expansion) — (SE); M/s Universal Radiators Pvt. Ltd., Mettupalayam Road, Coimbatore-11. (Tamil Nadu) — Radiators — 17,000 (after expansion) — SE); M/s Goetze (India) Ltd; National & Grindlays Bank Building, Middle Circle, H-Connaught Circus, New Delhi-I. (Bangalore-Mysore) — Piston Rings —100 lakhs nos.— (NU); M/s India Radiators Ltd; Polal, Madras-66. (Tamil Nadu)—Radiators — 36,000 nos. (after expansion) — (SE).

Industrial Machinery

Smt. Lakshmi Devi Jhawar, N-32, Greater Kailash, New Delhi-48. (Ghaziabad-Uttar Pradesh) — High Pressure Jet Cleaners & Special Sewage Clearners — Capacity upto 25 HP—2000 nos.; Capacity upto 50/150HP— 100 nos. — (NU); M/s Deepak Industries Ltd;

62, Hazra Road, Calcutta-19. (Calcutta-West Bengal) — Torsion Shaft & Diaphragm Couplings—Rs 10 lakhs—(NA).

Machine Tools

Shri M.M. Khanna, 30, Najafgarh Road, New Delhi. (Delhi) — Moulds for PVC Footwear, other type of Mouls for Plastic Injection, Compression Blow Moulding Machines Jigs Fixtures & Dies — Rs 45 lakhs — (NU).

Agricultural Machinery

M/s Escorts Ltd., 18/4, Mathura Road, Faridabad-Haryana. (Haryana) — Internal Combusion Engines (25-35 HP) for Agricultural Tractors — 16,000 nos.—(SE).

Miscellaneous Industries

M/s Vithal Vaman Muthyl, 11, Shamshet Street, (Chhipi Chawl), Bombay-2BR. (Gujarat-Maharashtra) — Safety Razor Blades—250 million nos. (150 million nos. of Stainless steel Razor Blades and 100 million nos. of Carbon steel Razor Blades). — (NU); M/s The Western Indan Plywood Ltd., Mill Road, P.O. Baliapatam, Cannanore Distt., Kerala. —(Kerala)—Glass Re-inforced Plastic Pre-impregnated Glass Fibre of various moulded shapes for industrial and commercial application — 800 tonnes — (NU).

Office and Household Equipment

M/s Facit Asia Limited, Perungudi Madras-12. (Madras Tamil Nadu) — Hand Operated Calculators—7600 nos. p.a. capacity after expansion being 15,000 nos. — (SE)

Chemicals (Other than Fertilizers)

M/s Campher & Allied Products Ltd., 133, Mahatma Gandhi Road, Bombay-1. (Clutterbackganj - Bereilly -Uttar Pradesh) — Toxaphene Technical —500 tonnes p.a. — (NA); M/s The Mettur Chemicals & Industrial Corporation Ltd., Mettur Dam-2, Salem Distt., Tamil Nadu. (Mettur-Salem Distt; Tamil Nadu)-Silicon Tetrechloride — 600 tonnes; Esters of Silicic Acid and their Polymers and Co-polymers—600 tonnes Silico Chloroform and other Silines — 3 tonnes — (NA); M/s J.K. Synthetics Ltd; J.K. House, 3, Barakhamba Road, New Delhi. (Kota-Rajasthan) — Nylon Filament Yarn-Expansion from 2080 tonnes to 3840 tonnes — (SE); M/s Hindustan Development Corporation Ltd., Hindu Family Buildings, 27, Sir R.N. Mukherjee Road, Calcutta-1. (Dehra Dun — UP) — Calcium Carbonate (Precipitated and Activated)—11,000 tonnes — (NU); M/s Searsole Mining Industries (P) Ltd; P.O. Siarsol Rajabari, Distt: Burdwan, West Bengal). (Raniganji-West Bengal) — Synthetic Cryolite — 7500 tonnes; Aluminium Flouride — 10,000 tonnes — (NU); M/s Shree Shakti Mills Ltd; Podar Chamber, Sayyad Abdulla Brelvi Road, Fort, Bombay-BR (Jaipur-Rajasthan) — Liquid Oxygen— — 25,92,000 c.m. per annum. Liquid Nitrogen — 500,000 c. meters ; Argon Gas — 86,400 Cu.m.; Acetylene Gas — 216,000 cu.m. — (NU); M/s Superior Air Products, 89, Jorbagh, New Delhi. (Haryana) — Liquid Oxygen — 15,00,000 Cub. m.; Liquid Nitrogen — 50,000 Cub. m.; Argo-n Gas — 50,00,000 Cub. m.; Dissolved Acetylene Gas— 1,00,000 Cub. meters; Nitrous Oxide — 100 tonnes — (NU); Shri Ashok Gobindrao Rao, (Rao's Oxygen Private Ltd.) Proposed: 10/38, Yashwant Nagar, S.V. Road, Goregaon, Bombay-62). (Maharashtra) — Oxygen Liquid — 20,37,600 Cub. m. Nitrogen (Liquid) — 1,77,600 Cub. m. Argoan Dass — 64,800 Cub. m.; Acetylene Gas — 216,000 Cub. m.— (NU); The West Bengal Industrial Development Corpn. P-15, India Exchange Place, Extension, (8th Floor), Calcutta-12. (West Bengal) — — Nylon Filament Yarn — 2100 tonnes — (NU); Shri D.L. Sawhney, c/o Shri P.C. Sawhney, 41, Wazir Bagh, Srinagar (Kashmir). Uttar Pradesh/Haryana/Maharashtra/Gujarat) — Nylon—6 moulding Power — —750 tonnes — (NU); M/s Chemo Gas Supply, Darukhana Magazine Street, Bombay-10. (Tarapur-Maharasthra) — Liquid Oxygen — 20,37,600 Cub. m. Liquid Nitrogen — 1,77,600 Cub. m. Argon Gas — 64,800 Cub. m. Acetylene Gas — 2,16,000 Cub. m. — (NU); Shri Vipin B. Khimji, c/o Akay Industries, Shivsagar Estate,'A' Block, 8th Floor, Dr Annie Besant Road, Worli, Bombay-18. (Gujarat) — Ethylen Diamine — 1500 tonnes ; Diethylene Triamine, Triethylene Petramine, Tetraethylene Pentamine — for a combined annual capacity of 170 tonnes — (NU); The Chairman Managing Director: Indian Petro-Chemicals Corporation Ltd; P.O. Jawahar Nagar, Dist: Baroda, Gujarat. (Koyali -Gujarat) — Polyputadiene, Synthetic Rubber — 20,000 tonnes — (NU).

Textiles

M/s Woolcombers of India Ltd., Duncan House, 31, Netaji Subhash Road, Calcutta-1. (Uttar Pradesh) Wool Tops (Combed Wool) 1.5 million lbs. — (NA).

Paper & Pulp

M/s Flexipack (P) Ltd; (Proposed) 2nd Floor, Sambava Chambers, Sri P.M. Road, Fort, Bombay-1. (Gujarat) — Industrial Flexible packaging materials — 4,000 tonnes — (NU); Shri A.K. Kanoria, Aditya Mills Ltd., Madan Ganj, Kishangarh, Rajasthan. (Rajasthan) — M.C. Light Weight Poster Paper (35-50) Grms — 10,000 tonnes; Tissue paper (17-25) Grms — 1300 tonnes; Carbonising Paper (30-35) gms. — 1200 tonnes — (NU); M/s South India Viscese Ltd; 165, Golf Links, (1st Floor), New Delhi. (Tamil Nadu) — Dissolving Wood Pulp-Expansion from 21,600 tonnes to 42,000 tonnes — (SE).

Rubber Goods

Shri Y.N. Ganeriwal, 33, Netaji Subhas Rd; Calcutta-I. (Bangalore-Mysore) — Synthetic Rubber Aprons — 145,000 meters; Synthetic Rubber Cots — 40,000 meters; Synthetic Loom Buffers — 65,000 meters — (NU); Shri H.N. Lalljee, 61, Ali Chambers, Tamrind Lane, Bombay-1. (Maharashtra) —Glass Fibre Fabrics, Tapes, Woven Glass Rovings and Filament Wires —40 lakh meters ; Processing of Glass Fabrics for various industries and applications — 6 lakh meters; Glass Fibre Laminates and Glass Reinforced products — 200 tonnes — (NU).

Leather and Leather Goods

M/s Punjab Tanneries Ltd; 'Nakodar Road, Jullundur. (Punjab). (Jullundur-Punjab) — Sports Goods Leather including Football, Volleyball— 30,000 hids; Leather for Shoes' Upper — 30,000 hides ; Wet Blue Cow Katai' Chrome Tanned — 12,000 hides; Belting Leather — 30,000 hides; Sheeps and Goat Skins for sports goods industry —80,000 skins; Chrome leather Swede leather, etc. — 80,000 skins; Wet Glue goat and sheep — 50,000 Skins; Lining leather for shoes from Sheep and Goat Skins — 78,000 skins — (NA);

Glass

Shri N.K. Rajagarhia, 16/1, Lord Sinha Road; Calcutta-16. (Andhra Pradesh or Rajasthan) — Glass Filament Yarn — 500 tonnes; Roving Chopped Strandmats — 500 tonnes; Insulating mats from waste yarn — 70 tonnes — (NU).

Ceramics

M/s Amar Nath Bhaskar Sons, Ishwar Nagar, New Delhi-1 (Gurgaon — Haryana) — Stoneware Pipes and Fittings — 24,000 tonnes p. a. (ofter expansion) — (S.E).

Cement and Gypsum Products

Shri B.N. Bhaskar, Managing Director, The Ishwar Industries Ltd; Ishwar Nagar, New Delhi. (Bundi-Distt: Bundi-Rajasthan) — Portland Cement — 200,000 tonnes— (NU); M/s R.P. Sinha Cement Ltd; P.O. Tilothu, Dist: Shahbad, Bihar. (Vill: Rampur, P.S. Rohtas Distt. Shahabad-Bihar) — Portland Cements — 200,000 tonnes — (NU).

Miscellaneous Industries

Shri B.M. Ramesh Kumar, 44-D, New Bohiguda, Secunderabad. (Bangalore-Mysore) — Cigarettes — 1800 million pieces — (NU).

Licences Revoked or Surrendered

(Information pertains to particular licences only.)

M/s Consolidated Chemicals India Ltd., Madras-1 — M/s Bhagyalaxmi Mills Ltd. Calcutta — Cotton Yarn.

Change in Names of Owners or Undertakings

(Information pertains to particular licences only.)

M/s Jindal (India) Pvt. Ltd, Hissar. to M/s Jindal Industries (P) Ltd, Hissar.

TAMIL NADU SMALL INDUSTRIES DEVELOPMENT CORPORATION LTD.

(An Undertaking of the Government of Tamil Nadu)
"Kannammai Building", No. 122, Anna Salai, Madras-6.

Chairman's speech delivered by Thiru R. Natarajan, I.A.S., Chairman & Managing Director, Tamil Nadu Small Industries Development Corporation Limited, at the Second Annual General Meeting of the Company held at 4-00 p.m. on the 31st October, 1972, at Madras.

Friends,

I have great pleasure in welcoming you to the Second Annual General Meeting of the Company.

The annual accounts and audited Balance Sheet and Directors' Report for the year ended 31st March, 1972 have been circulated to all the shareholders, and, with your permission, I shall take these as read.

As the Report of the Directors would reveal, the year 1971-72 has been one of consistent consolidation. This was the first full working year of the Company. Even in the earlier 5½ months of its existence in 1970-71, the Company had shown splendid signs of promise. The working of the Company during 1971-72 has not only revealed to us the golden vistas that lie ahead of the Company, but has also given us confidence in our ability to surmount difficulties and discover the open sesame to industrial prosperity. The realisation that the SIDCO has been entrusted with the keys of the kingdom of small industries adds to our sense of determination to fulfil the trust that the Government have placed in us in entrusting us with their development.

During the first 5 1/2 months, the Company was still finding its feet. It had confined its activities to the procurement and distribution of iron and steel so vitally needed by the small scale industries of the State. During the second year 1971-72, the Company not only stepped up the value of the iron and steel distributed by it to Rs. 379 lakhs but also started procuring and distributing other important raw materials like Mutton Tallow and Caustic Soda. The value of such materials distributed during the year 1971-72 was as substantial as Rs. 43 lakhs.

Side by side with the distribution of raw materials, other far reaching steps were taken by the Company to assist small industries in the State. One of the biggest steps taken by the Company was to formulate a scheme for the procurement and distribution of machinery to small industries on really attractive terms. Within a period of one year in 1971-72, the Company has assisted as many as 165 entrepreneurs to purchase machines worth Rs. 84 lakhs. There has been a heartening and heavy response to this scheme which has encouraged the Company to step up the value of assistance there-under, for it is these machines which serve as sinews of industrial production. The number of entrepreneurs assisted by the Company upto 30th September, 1972 is 305 and the value of assistance sanctioned comes to as much as Rs. 139 lakhs.

One of the special features of assistance given by the Company was the provision of concessional assistance to the educated unemployed. As many as 46 educated unemployed persons were helped under the special terms envisaged by this scheme, which has amply alleviated the present, pressing problem of technical unemployment.

The Company has also instituted a scheme of construcion of worksheds on a Hire Purchase Basis. Within a record period of five months, the Company completed its first phase of construction of 17 worksheds at its estate at Ambattur. The sheds were allotted to small industrialists on a hire purchase basis. Timely assistance for machinery was also extended to the occupants of these sheds simultaneously, so that production could start right from the date of completion of the sheds.

A second phase of 50 worksheds has been put on hand at Ambattur. A special feture of this II Phase is that a contiguous area has been allotted to cycle ancillaries.

Further, the SIDCO is taking steps to put up Artisan Sheds at Madurai, an export oriented functional industrial estate at Ooty and a multipurpose industrial estate at Tiruvarur as also in other districts. with particular references to development of backward areas.

An Industrial complex serving as ancillaries to the textile industry has also been taken on hand by the Company near Coimbatore. The SIDCO has undertaken these ancillary units as a part of its sure fire strategy to ensure that there are no marketing problems which usually plague the small industry.

The Company has also taken on itself the responsibility of encouraging industries which have a potentiality for growth in specific areas. Taking into account the paucity of chemical industries in Tamil Nadu, the Company has commissioned studies for development of functional chemical complexes in the following areas:

1. In and around Madras;
2. In and around Mettur;
3. In and around Tuticorin inclusive of Sahupuram.
4. In Coimbatore-Mettupalayam area; and
5. In Neyveli-Panruti area.

The company has also constituted an Expert Committee on Chemicals in which some of the top experts in the field have been associated. The technical advice of the expert committee will be kept in view by the Company. As advised by the Committee, studies have, already been instituted for examining the feasibility of the manufacture of Chlorinated Paraffin Wax and liquid fertiliser in the State.

Another area in which there is tremendous potential for growth in the small scale sector is Electronics, consequent on the recent explosion in the field. The Company has constituted a high power Committee on Electronics, consisting of Experts from all over India. The expert advice of this high powered Committee is being availed of by the Company in establishing new industries in the field of Electronics.

Shareholders would be glad to know that the Company is in close liaison with the State Trading Coporation of India in regard to meeting the needs of imported raw materials of small scale industries and in regard to finding export markets for the finished products of small

industries. I have every confidence that these longstanding liaison arrangements with the State Trading Corporation of India would go a fruitful way to assist small industries of the State. In furtherance of these arrangements, specific studies of a few select sections like leather, processed foods, and ceramics have been taken up.

SIDCO can also take legitimate pride being one of the public sector organisations which have started earning profits right from the very inception. The profit for the year under review was higher than for the previous one.

The development of Small Industries in the State is a tremendous task, which will test the steel of any organisation. Problems like procurement of raw materials, marketing, power-cut, etc. hang like a Damocles' sword, ever ready to take a terrible toll of any unwary small industrialist.

But, then, the SIDCO realised that "Problems are the price of progress" which can be surmounted through both long term planning and short term, specific solutions. While perspective planning is required to promote small industries centring round self-reliant and self-employed educated unemployed personnel, with a view to minimising spatial dispartities in development, planning and providing long term employment opportunities and dispersing the various spread effects of industrialisation — economic. social and attitudinal — the SIDCO realises that nobody "lives in and for the long term" and short-term measures yielding quick results should be the best strategy to motivate a missionary movement in Small Scale industrialisation. The SIDCO realises only too well that a crash plan to develop ancillary industries is most essential as part of a planned programme to realise all the economic and technical possibilities of a complementary and rewarding relationship between the large and small scale industries, so as to give self-employment to the educated unemployed. A reorganisation of rural industries based on intermediate technology in semi urban and rural areas, through a phased creation of functional, industrial complexes on a hire purchase arrangement, will have to be yet another part of the SIDCO strategy to help the evolution of an industrial synthesis of the large, small and rural industries, which will be a modern meshwork and no patent patchwork.

If the past is any indication, there is any doubt that the SIDCO will embark on its voyage of aims and achievement for 1972-73 with cheer, courage and confidence.

Before I conclude, it is my privilege and pleasure to thank the Directors, Officers and Staff of the SIDCO for their unstinted efforts and dedication, but for which the year under review would not have been this successful.

To the Government of Tamil Nadu, and particularly to our dynamic Minister for Industries, Thiru S. Madhavan, the Company owes a deep debt of gratitude for all the advice and assistance received by the Company at every stage of its formative operation. The many achievements to the credit of the Company would not have been possible but for this sovereign specific.

NOTE: This does not purport to be a report of the proceedings of the Annual General Meeting.

INCOME TAX ARREARS CLEARANCE FORTNIGHT November 13-25

The Income Tax Department of Delhi has decided to observe ARREARS CLEARANCE FORTNIGHT From November 13 to November 25, 1972. During this fortnight special attention will be devoted to the completion of all pending actions for reduction and modification of the outstanding demand.

You are invited to bring to the notice of the Department any pending actions in respect of the following matters.

- **Adjustment of Advance Tax or other pre-paid taxes**
- **Grant of appeal effects**
- **Disposal of applications for rectification**
- **Disposal of application u/s 146 for reopening of ex-parte assessments**
- **Disposal of applications for grant of instalments or for stay of recovery proceedings.**

Communications may be addressed to the Inspecting Assistant Commissioner concerned indicating the permanent Account No. allotted and the designation of the I.T.O. dealing with your case. The Income Tax Officer (Collection) dealing with your case will be glad to meet you for verification of any paper or documents regarding payments having been made or other particulars to expedite action being completed.

It will be appreciated if the outstanding liabilities, after adjustment are cleared to the maximum extent in this Fortnight.

For any enquiry or assistance contact the PUBLIC RELATIONS OFFICER at No. G-22, Central Revenues Building, Indraprastha Marg, New Delhi (Telephone No. 276067 and 275081/263)

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COMMISSIONER OF INCOME TAX (Recovery) DELHI

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Through self reliance



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India Tobacco Company Limited
—in pursuit of progress

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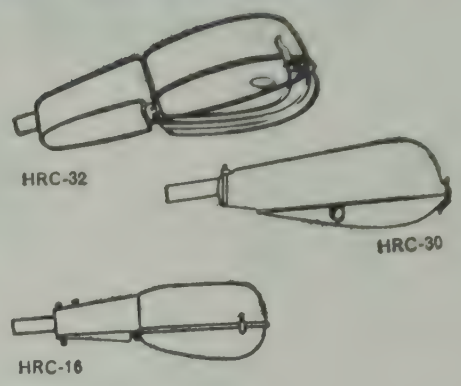
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PHILIPS INDIA LIMITED



GLAXO LABORATORIES (INDIA) LIMITED

Statement of Mr. D. J. R. Farrant, Vice-Chairman and Managing Director of Glaxo Laboratories (India) Limited, for the year ended 30th June, 1972 to the members :

Your Company has made considerable progress under quite difficult conditions during 1971-72.

Members who attended last year's Annual General Meeting will recall that, when we left the hall after concluding our deliberations, we received the news of the outbreak of hostilities with Pakistan. These have culminated in the emergence and recognition of Bangladesh, a new nation on the Indian subcontinent. With it, the political and economic equations in the region have been totally transformed and it becomes possible to hope for a new detente between India and Pakistan after 25 years of active confrontation.

Your Company and its staff actively participated in the national emergency. Even before the hostilities began we had contributed a mobile hospital to help the relief work among the refugees. We were the first company to come forward with a supply of blood transfusion bottles and within days our staff had filled them with their own blood. The Company made a cash contribution of Rs.10 lakhs to the National Defence Fund for the rehabilitation of the wounded, and I am pleased to record the outstanding effort of our employees who made a further contribution of over Rs. 1 lakh, a donation most graciously received by the Prime Minister herself.

Less well known has been the part played in the emergency by our drugs in saving the lives of many of the brave men who were wounded during those difficult days.

We are proud that your Company and its employees have been able to contribute in this way. We recognise that in war as in peace our primary duty is to serve the country's needs and we shall continue to spare no effort to do so. We believe that our membership of an international research-based organisation, bringing with it the fruits of that research, greatly strengthens the contribution that we can make towards the health of the people of this country.

The Industry's Objectives

In this year in which so many of us are involved in the detailed preparation of the next Five Year Plan, it is perhaps appropriate that we should define as clearly as possible our objectives so that the industry's plan may be as effectively prepared as possible. I think the primary objectives are fairly clear, and I imagine that few people would dispute that they are the following :

(1) to provide safe and reliable products, at low prices to as many of our people as possible;

(2) to build a strong, technically sound industry that will grow to meet the rising needs for drugs and nutritional products in the future;

(3) to reduce net foreign exchange costs as quickly as possible;

(4) to provide employment and therefore an adequate income for as many people as possible.

Before I deal with the means whereby I think we can move towards these objectives, it is necessary for us to recognise certain facts of life. These objectives cannot be taken in isolation: they conflict with each other to some extent; therefore some compromise is necessary between them in evolving a satisfactory plan. To make my point clear I will take two or three very simple examples. The first must be self-evident: that is, that basic drugs manufactured in our relatively small manufacturing units here in India inevitably cost more to produce than drugs produced in large-scale automated plants elsewhere. It is, in consequence, often cheaper to import than to manufacture ourselves. Government recognises this in its policies to protect basic manufacturing in this country; but it is obvious that lower foreign exchange costs must lead to higher prices.

In my second example there is a conflict between the first and second objectives. It would be possible to produce drugs at a slightly lower price if it was not necessary for the industry to expand and develop in the future. Somewhere the funds have to be found to finance the growth of this industry, and they cannot be found unless the industry makes adequate profits.

My last example relates to the conflict between production at the lowest possible cost and employment of the largest possible number of staff. Clearly we could employ more people, with a larger wage bill, if the nation felt that to be more desirable than keeping down the prices of our drugs.

It is necessary then to recognise that the above objectives are interrelated; that it is desirable to establish priorities among them and that to some extent we must compromise between them.

There are few people who would disagree with the four major objectives I have stated. Unfortunately some well meaning people who do not perhaps understand fully the complexities of our industry, put forward suggestions, as a means to achieve these objectives, suggestions which due to some misunderstanding seem to become objectives in their own right. I believe that these misunderstandings must not be confused with the primary objectives. If they are confused in this way we shall find that the primary objectives are not achieved. There are many of these mistaken ideas but I will try to deal with a few of them in the paragraphs that follow.

First it is suggested that if profits are reduced it will be possible to reduce substantially the price of drugs. It is, of course, true that the abolition of profits might in the short run lead to a small reduction in the price of drugs, but we must keep this perspective. A glance at our accounts will show that the Company would make no profit whatsoever if our prices were to be generally reduced by 15%. It will be apparent that even small changes in our prices could seriously restrict our resources. These resources are needed to pay for the extra stocks and additional investment that is required if we are to grow: they are needed also to provide dividends to our shareholders in the hope that they will be persuaded to supply further capital when we need more money for further expansion in due course. If we fail to make these profits — and in all conscience they are reasonable profits — then we shall be un-

able to achieve our second primary objective for we shall not have the funds to grow. Whilst on the subject of profits, I must ask you also to be careful not to be confused by completely false arguments such as that in which the price of a finished drug formulation is sometimes compared with the bulk cost of the therapeutically most important ingredient, the costs of all the other ingredients that go to make the formulation being ignored as also are the costs of manufacturing, packaging and distribution. I suppose the same argument could be applied to prove that a wristwatch should cost very little more than the metal which is used for its mainspring.

A second suggestion relates to brand names whose abolition, it is claimed, would reduce the cost of many products. It is not clear how the cost can be reduced by changing the name on the pack. This particular misunderstanding about brand names probably arises from the fact that companies who specialise in generic product manufacture do not spend much money on research and development and do not have the same impelling need to maintain the same quality standards on which the brand name is dependent. The subject of brand names is a very complex one and there is not room for me to deal with it in this statement. It will, I hope, suffice for the moment to say that it has been proved incontrovertibly by a large number of independent authorities that often products with the same generic name can have a totally different therapeutic effect; a small change in the process of manufacture of a drug can radically alter both its effectiveness and its safety. A Commissioner of the American Food & Drug Administration, probably one of the leading authorities in the world, has summarised the situation as follows:

"It has become increasingly apparent that drug products which purport to be equivalent and which may satisfy chemical and other analytical tests of equivalence, may not be therapeutically equivalent."

Another of these mistaken ideas leads to the view that it is necessary or desirable to reduce the foreign companies' alleged domination of the Indian pharmaceutical market. It is thought that by doing this the net foreign exchange costs of the country will be reduced: this is by no means a correct assumption. The market here in India is no more dominated by foreign firms than the British market or many other European markets. It is not possible for any one country to discover all the drugs that it requires: many of the drugs manufactured by foreign-controlled companies in India would have to be imported if these companies did not exist, and the cost in foreign exchange of these imports would far outweigh the outgoings. Furthermore, I suggest to you that an examination of the export records of the leading companies would show the extent to which these foreign-owned companies are contributing towards the country's growing pharmaceutical exports.

It has been suggested more than once—and it is currently very fashionable to suggest again—that the industry should do more research in India. In general we support this contention and our own research is, of course, increasing but once again there is a conflict with the primary objective of producing drugs at low prices. Research, particularly drug research, costs a great deal of money and it is unlikely to contribute favourably to the country's balance of payments for at least ten, or possibly twenty, years due to the very long period required to discover, develop and market a new drug. Let us then be clear that this policy must increase the cost of today's drugs even though the investment may be justified as a long term measure.

Let me then return to the primary objectives and advise how I believe they can best be achieved.

First, to provide safe and reliable drugs, at low prices to as many of our people as possible. This must depend on the creation of a highly competitive atmosphere between companies whilst maintaining high standards of inspection to ensure that safety is not prejudiced. Drugs required in substantial quantities in this country should be manufactured locally in order to achieve our second objective, but drugs that are required in small quantities should, if necessary, be imported in order to maintain the lowest possible prices.

Our second objective of building a strong pharmaceutical industry is at the moment hazarded by a well-intentioned drug price control system that might almost have been designed to do the reverse. Any drug manufactured basically in this country is liable to become the subject of a cost enquiry and will probably be classified as essential with a correspondingly low margin of profit. Imported drugs that can not be cost controlled in bulk because they are manufactfired outside the country are not subject to this procedure and in general they are classified non-essential. We thus have a system whereby basic manufacture in this country is penalised and investment is thereby by discouraged.

We also need to look once again at the viarious other conditions that are imposed when a company wishes to begin basic manufactfire of a new drug. There are a whole range of these conditions, each one quite logical if taken in complete isolation but collectively representing a real deterrent to basic manufacture. Outght we not to re-examine this system? Would it not be better to provide encouragement for basic manufacture rather than restrictive conditions? If we can make basic manufacture more attractive we shall go some way towards an improvement in our net foreign exchange cost which is our third objective, and we shall do a great deal to help employment which is our fourth. My simple request today is that we should concentrate on these four main objectives and not allow ourselves to be side-tracked by the mistaken ideas that I have mentioned earlier in this statement.

The Company's Objectives

Your own Company's objectives over the last fifty years have been well recognised by the Government, the medical profession and the many people who possess an accurate knowledge of our policies and operations. It has been our aim to integrate closely our activities with those of the country as a whole. We believe that we shall prosper only if we are seen to be making a positive contribution to the nation's growth. Such a contribution is best made by the establishment of a well managed and efficient organisation which is able to translate research discoveries into highly effective products, manufactured and distributed throughout the country at reasonable prices.

The Company's long established policy of selling its products at the lowest reasonable price, consistent with the need to retain adequate resources for growth, resulted in a substantial price differential between ourselves and our leading competitors prior to the introduction of the Drugs (Prices Control) Order, 1970. Since the impelementation of this Order, this price advantage has narrowed down considerably, but in spite of this change the Company's growth has been maintained.

In export markets we have also achieved considerable success due, in no small way, to our reputation for products of high specification supplied on schedule at a competitive price. It is perhaps a consequence of these policies that we have recently signed what we believe to be the largest export contract yet obtained by any Indian pharmaceutical company; a contract that will secure for us substantial export sales of beta-ionone over each of the next three years.

But our endeavours should

not be measured by the success of our home and export sales alone, for our roots are deeper than that. For more than ten years now we have been developing our dairy activities at Aligarh where the livelihoods of some 20,000 farmers and their families are closely linked through their co-operative to our future. Our Dairy Development programme, carried out with the considerable support of Pantnagar Agricultural University, has for some years aimed to encourage these farmers to adopt scientific farming methods designed to improve the volume and quality of their milk production. But we do not claim to do this solely for the sake of the community. We do it because it will increase the milk yields on which we and our consumers are so dependent: we do it because it maintains the goodwill that is so necessary between the milk suppliers and ourselves and which we believe will help to keep our business viable in good times and in bad. Our milk factory, situated in the heart of this area, provides employment for more than 350 people and in total we spend there roughly Rs. 2.5 crores each year, a very substantial benefit to the local community. The Company and the community at large have a common interest in maintaining a well-run and successful enterprise which can and will grow to provide for the nutritional needs of our consumers.

A similar philosophy permeates our research and development plans. Last year we opened our new Research Centre at Thana: there was no fanfare of public relations. We believe that research is part of our business and that it should begin in India on firm foundations, developing gradually to meet the needs of the Company. We believe the objectives of that research should be clear from the beginning—to develop processes and products that will reduce imports or increase exports, leading eventually, after a number of years, to the discovery of new products of real benefit to the peoples of this country and the rest of the world. We do not belive in spending money on research for the sake of being seen to spend money on research. To adopt such a policy must inevitably lead to research without clear objectives and without eventual benefit to the Company or the community. But do not get the impression from what I say that we do not do research; we already have the third largest pharmaceutical research and development unit in this country: a small unit by international standards but a sound infant that will be nurtured over the coming years by our International Research Company which is universally recognised to be one of the most successful innovative research organisations in the world.

In our production units we maintain the same standards of integrity. The production of pharmaceuticals requires a delicate blend of experience developed by the Company over many years and new techniques proved and tested in our sister laboratories around the world. There is a constant inflow of this knowledge to ensure that our products are manufactured to standards of excellence that are comparable with any found overseas. Although we constantly endeavour to increase our efficiencies and therefore to reduce our costs, we cannot sacrifice our quality control standards which rise continuously as new techniques for measurement are discovered. Our Chief Analyst bears the primary and ultimate responsibility for these standards. He cannot be overruled. These standards of technical ability, of pharmaceutical excellence and rigid quality control form an essential part of our products and a major reason why they are prescribed so frequently by the leading members of the medical profession.

Company Progress in 1971-72

Total sales of our diverse range of products have increased by slightly more than 10 per cent over the previous year and have now reached the record level of Rs. 32.46 crores. More gratifying has been the reversal of the downward trend of profitability. As you know our profits had dropped steeply during the period 1969-71 due to much higher materials and labour costs: furthermore, owing to the timing of our financial year, the price reductions, some voluntary and others compulsory, that took place in 1970 were fully reflected in our 1970-71 results.

This year conditions have been more stable. We have continued to adapt our operations to meet the requirements of our new environment. We have taken most vigorous steps to control all our costs and the improvement in our efficiency has been most marked. We are consequently able to report to you a significant improvement in our net profits before tax, but as you will all realise, the major part of this improvement must pass on to the nation in the form of tax which has left us with an improvement of just over 16% in net profit after tax for the year.

Exports of our products were again at record levels. We continue to be in the forefront of the industry in saving foreign exchange by an aggressive policy of import substitution through innovation and local research, whilst earning increasing amounts each year through a positive export programme.

This year the Company has spent some Rs. 108 lakhs on new fixed assets, rather less than we spent last year. The major part of this investment has been at Worli where our pharmaceutical formulations unit is being rebuilt and modernised. At Thana the new betamethasone fermentation process, designed to reduce our dependence on imports, is now operating smoothly. At Aligarh the investment has been smaller and mainly for purposes of cost reduction and quality improvement.

This has been, then, a year consolidation, of productivity improvement, and cost reduction. Not least significant has been the need to conserve the Company's cash resources for the future so that we shall be able to continue to supply in the years ahead our share of the nation's growing demand for drugs. This is no easy problem: the present trend of price control legislation must inevitably lead in due course to liquidity problems for the industry as a whole if the present growth in demand is maintained.

Merger Developments in the UK

At this juncture, I must refer to a development of considerable importance to our Company which occurred during the year. This is the situation which arose from the offers made by the Beecham Group and by Boots for the shares of Glaxo Group, U.K. By now, members will be aware that both offers were referred to the Monopolies Commission in the U.K. whose recommendation that they should be rejected was accepted by the U.K. Government. The Commission's recommendation resulted from the need to ensure that there would be no reduction in the size or effectiveness of the research effort of the three organisations under examination; a need considered significant by the Commission because no new company would enter the industry owing to the high costs and risks associated with phamaceutical research. Whilst reaching this conclusion, the Monopolies Commission reported favourably on the high degree of competition in the pharmaceutical market in the United Kingdom from foreign-owned firms based in that country which in the opinion of the Commission provided an adequate safeguard for the interests of the consumer. In this respect the British market is very much like any other world market, including India, but it is significant that the Monopolies Commission has recognised that competition from the foreign-owned companies, which together hold two-thirds of the British market, provides useful protection for the consumer. We believe these views of a completely independent body have an equal significance here in India.

The high costs and risks of pharmaceutical research can only be undertaken if sufficient incentive is available in the form of adequate patent protection and some assurance of a reasonable return on investment.

Board of Directors

Since the Annual General Meeting last year, there have been some major changes on the Board of your Company. As you all know, Mr. James S. Raj tendered his resignation as Chairman and Director with effect from 1st May, 1972, following his appointment as the full-time Chairman of the Unit Trust of India. The resignation was accepted by the Board with considerable regret. During the brief period when he was associated with the activities of your Company, Mr. Raj had brought to bear a deep insight into your Company's affairs. His guiding hand at the moments of decision was of immense value and I can say, on behalf of all his former colleagues, that we feel his absence very acutely. On behalf of all the shareholders and associates of this Company, we wish him all success for the future.

Your Board was joined in May by Mr. G.J. Medley, who was appointed Deputy Managing Director with effect from 1st June, 1972. Mr. Medley is a scientist with many years of experience in various fields of professional and technical management. Mr. Medley's technical expertise and knowledge makes him particularly qualified to help us, and we feel happy in the knowledge that considerable benefit will be derived from his participation in the Company's management in the future. Mr. Medley has also been the Chairman of the London Business School Association and, as such, has been concerned with the development and teaching of modern managerial techniques in the leading Graduate Business Management School in the U.K. His contribution to decision-making for your Company at the top levels has already made its mark and we are very fortunate indeed in having him as a member of our team.

In the year under review, Mr. P.R. Choksy tendered his resignation. Mr. Choksy who, as you know, was the Finance Director and Company Secretary, retired after almost 25 years of loyal and devoted service to the Company. During his tenure, the Company became a public limited company with a highly successful issue to the public in India, of which most of you are participants. Mr. Choksy was primarily responsible for organising the Company's changeover to public status and also the amalgamation with British Drug Houses (India) Pvt. Ltd., which preceded it. We are most grateful to him for his very valuable contribution to the Company and we hope that he will maintain contact with us in the future.

It is customary for this statement to conclude with an expression of thanks to Management and Staff for their efforts during the year. It is relatively easy to maintain good management and staff relations when a company is prosperous: when times are more difficult these relationships may not stand the test. The period of adjustment since the introduction of the Drugs (Prices Control) Order has not been easy for us. Many sacrifices have had to be made; many expectations have had to be frustrated. Throughout this period we have been deeply impressed by the manner in which all our 5000 staff have co-operated to assist the Company to re-align its policies and procedures to meet the new environment in which we work.

Your Directors and I are proud to be associated with such a fine team and we are grateful to them for their loyalty and devotion.

Sd/- D. J. R. Farrant
Vice-Chairman and
Managing Director

23rd October, 1972
Registered Office:
Dr. Annie Besant Road,
Worli, BOMBAY. 400018

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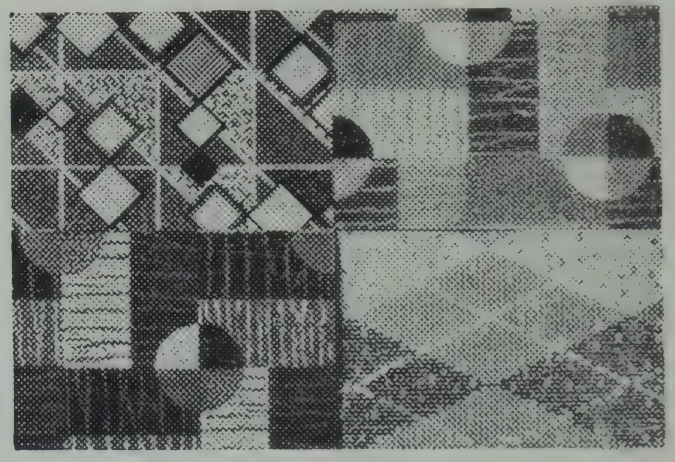
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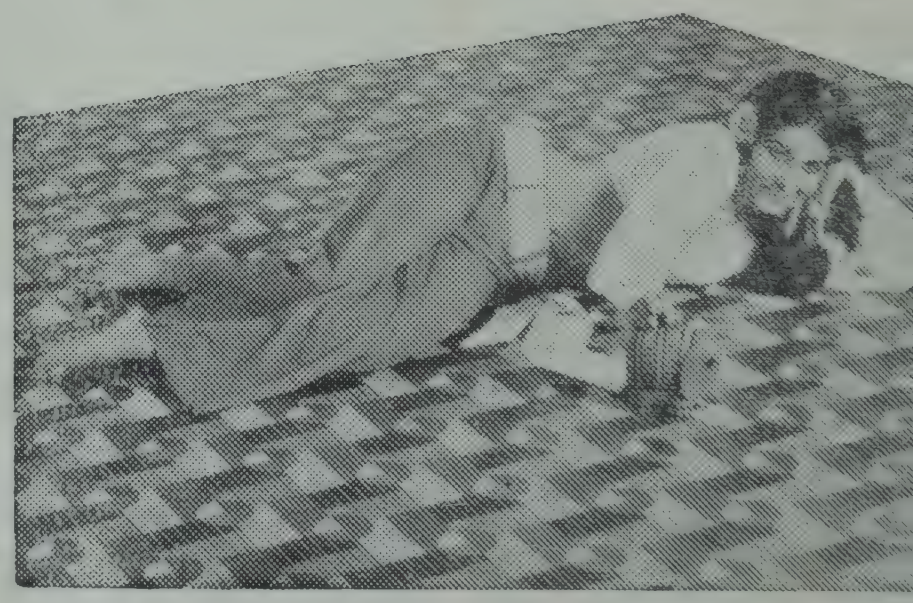
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RECORDS AND STATISTICS

Approach to the fifth Plan

THE APPROACH to the fifth five-year Plan should be regarded as a rallying point for supreme national effort in the country's march towards economic independence, said Mrs Indira Gandhi, Prime Minister, when she presided over a meeting of the Planning Commission on October 30, 1972. The war on poverty and backwardness called for discipline, efficient implementation of programmes and their proper co-ordination with accepted policies.

There was nothing wrong with our earlier Plans and policies, Mrs Gandhi said. What had happend, however, was that the goods and services intended for the poor and the backward did not always reach them. We had, therefore, to improve implementation. In the course of her journey all over the country, the Prime Minister said, she had seen how living conditions had improved everywhere, even in the most backward districts in different parts of the country. But poverty could not be removed overnight. It was a gradual process. This process had to be speeded up so that we could fulfil the people's expectations.

The Prime Minister said that the most important question related to the policies and procedures for implementation. Today's need is for supreme national effort towards economic independence. Our planning will be judged by the results which we are able to achieve. The new directions which had been given in the Approach to the fifth Plan involve greater responsibility and magnitude of effort in various sectors.

Mrs Gandhi suggested that far more attention should be devoted to improving simple tools and implements which were in everyday use. With the scientific and technological progress, we were concerned with more complicated instruments, thereby limiting the range of those who can use them. Vast numbers of people were thus deprived of their benefits. There were many tools which the farmer, the housewife and the citizens could use. If this indigenous technology was improved, the benefits would immediately touch the average person. Our effort at economic self-reliance should be linked with steps towards self-reliance in technological progress.

The Commission should draw up a detailed guideline in consultation with the Ministries before the draft outline of the fifth Plan is prepared, otherwise there would be difficulty. It should work out a detailed policy-frame along with draft outline of the Plan so that Plan and the policy-frame go together. The policy frame should cover agricultural policy, wage policy, policy for resource mobilisation and for achieving regional balanced growth.

Referring to the outlay on education, the Prime Minister said that basic changes in the education policy were necessary. It would be better to put down realisable targets. The task before the Planning Commission was to prepare a feasible plan.

Mr Y.B. Chavan, Finance Minister, suggested that the quantitative allocations should be matched with specific growth programme. He said that every step should be taken to see that the specific targets laid for some of the core sectors like coal, steel, fertilisers and oil are realistic and fully implemented.

Mr D.P. Dhar, the Deputy Chairman observed that the basic approach to the fifth Plan was to make our economy self-reliant and less dependent economically. He said that the present draft had fully incorporated formulations of the previous document.

The Deputy Chairman also stressed that determined effort and proper co-ordination were necessary to implement the targets laid down in the core sector. He said that a growth of 5.5 per cent would be practical and achieve the basic purpose, namely, economic growth and social justice.

Referring to the need to stabilise prices, Mr Dhar said that more production and proper distribution could go a long way in solving this problem. He also said that the growing unemployment could not be viewed with equanimity. The Approach paper envisaged self-employment and creating more job opportunities for educated unemployed. The Plan could succeed only with the active participation of the people at all stages of implementation.

Referring to the self-reliance, the Planning Minister said that the time had come when we should no longer assume foreign assistance as one of the natural resources for the Plan.

The Minister also suggested the need to undertake studies to evolve comprehensive policy framework, namely on industrial policy, policy for income and prices, fiscal and monetary policy, price policy particularly in agricultural sector and management policy. He announced that in the next few months advance action of various schemes of the fifth Plan would be undertaken.

The Approach document will be finalised in the light of these discussions and will be considered by the Cabinet and the National Development Council. The National Development Council is expected to meet in the third week of December.

A brief resume of the Approach document is given below:

Removal of poverty and attainment of economic self-reliance; these are the two major tasks before the country. A socialist pattern of development has been accepted as the appropriate course for reaching these goals. The fifth Plan 1974-79 must take the country another major step forward along this chosen course.

Removal of Poverty

The causes of poverty are: (i) underdevelopment and (ii) inequality. It is inadmissible to underplay either factor. Growth and reduction in inequality are *both* indispensable to a successful attack on mass poverty.

Expansion of productive employment opportunities is of crucial importance—both for accelerated growth and reduced inequality. Employment policy must aim at expanding *both* wage and self-employment and raising their productivity. An employment oriented Plan must seek a resonable balance between the employment intensive sectors and the others bound to them with trong for ward and backward linkages. A disproprotionate development of the economy as between the two would lead to under-utilisation of capacity, frustrating the employment objective.

The general policies for expanding employment opportunities will have to be supplemented and co-ordinated with specific programmes to draw the educated unemployed into productive activity. At the same time, university education must be so regulated as to conform increasingly to the likely quantum and pattern of

employment opportnities for the educated youth.

Social Consumption

Towards removal of poverty, measures for providing larger employment and income to the poorer sections of the population will have to be supplemented, upto at least certain minimum standards, by social consumption and investment in the form of education, health, nutrition, drinking water, housing, communications and electricity. In order to provide this, a National Programme for Minimum Needs has been envisaged.

Self Reliance

The self-reliance goal must be carried a step further during the fifth Plan period by reducing net aid to zero in the terminal year 1978-79. To this end, the Plan proposes to consolidate self-sufficiency in foodgrains, to increase the production of cotton and oilseeds and to step up the output of steel, non-ferrous metals, fortilisers, crude oil, petroleum products, engineering ancillaries, and basic chemicals. There will have to be a further intensification of the export drive. Exercises have shown that reduced inequality of incomes is beneficial to the balance of payments. Greater equality and progressive self-reliance, envisaged in the fifth Plan, are thus mutually reinforcing.

Rate and Pattern of Growth

The rate and pattern of growth for the fifth Plan period have been derived from the objectives and strategy of the Plan. After trying out several variants, the one providing for a 5.5. per cent average annual rate of growth has been chosen. Since it is recognised that an aggregate rate of growth of 5.5. per cent cannot by itself significantly raise the consumption levels of the poorer sections of our society, the composition of growth rates has been worked out in a manner which will enable the lowest 30 per cent of the population to attain a more satisfactory level of living.

The pattern of growth, therefore, lays emphasis on agriculture, key and basic industries and industries producing goods for mass consumption. The Planning Commission has recommended that efforts must be made to ensure that exports grow at least at the rate of 7 per cent per annum. With the postulated reduction in inequality, the degree of import substitution envisaged and the prescribed export effort, it is expected that the country can reach the objective of zero net aid in 1978-79.

All this calls for effective follow up action. Detailed sectoral programmes, specially for the core sectors, will have to be worked out as a matter of high priority. Manpower requirements in different skilled categories will have to be met.

The Planning Commission is fully aware that detailed policy recommendations are called for to translate the necessary targets into observed magnitudes. It will be the effort of the Planning Commission in the coming few months to work out these recommendations against the framework of the reasoning spelt out in the Approach document.

Financing the Plan

The financial resources for the Plan have been estimated at Rs 51,165 crores at 1971-72 prices. This includes an estimated Rs 5,850 crores for financing the current development outlays in the public sector. The balance of Rs 45,315 crores has been estimated as available for financing investment.

The total balance of payments gap has been estimated at Rs 3,000 crores over the five-year period. It should be our effort to narrow down the gap even further. The Planning Commission is hopeful that as a supplement to our efforts in this context, there will be a flow of assistance from friendly countries.

Public Sector Outlay

The public sector outlay has been envisaged at Rs 35,595 crores. Allowing for Rs 5,850 crores as the current development outlay, the balance available for public sector investment is Rs 29,745 crores. The provision for the private sector investment is set at Rs 15,570 crores. The projected distribution of investible resources between the public and private sectors is in the ratio of 65.6 to 34.4.

Plan provisions for different sectors and heads of development have been worked out in such a way that they conform to the envisaged rates of growth of output in the different sectors.

Some Special Aspects — Backward Areas

The backward and hill areas present in essence a problem in area development and call for an area approach. The major task ahead is the formulation of integrated development programmes. The National Programme for Minimum Needs has to be integrated with the overall programme. Institutional arrangements for integrated development programmes for backward areas as well as their mode of financing are being worked out. Since the primary responsibility for developing the backward areas lies with the states, they are taking steps to strengthen the machinery required for undertaking this responsibility.

Efforts for the development of backward classes must be intensified. Emphasis has been placed on the role of the general sector in providing major development programmes for these classes. Priority will be accorded to these classes in the implementation of the National Programme for Minimum Needs. Integrated child care services would be provided to the most needy families. Programmes to improve the competitive capability of talented students would be undertaken. The working and living conditions of those engaged in unclean occupations would receive priority. Areas with concentration of tribal populations will receive special attention.

Wages Price and Incomes

There is need to attain and maintain a reasonable balance as between wages, prices and incomes. With this in view, the scheme of financing seeks to avoid generating excess demand. There is provision for substantial increases in the output of wage-goods. An adequate public procurement and distribution system for assured supplies of essential consumption goods, at least for the poorer sections, at reasonably stable prices is envisaged.

There is emphasis on need to avoid rises in wages unrelated to improvement in productivity. An equitable national wage structure, covering the public and private sectors, has to be evolved. At the same time, the need for proper discipline on the part of those who draw their income from property and enterprise has been emphasised. The prices-wages-income policy has been viewed as a consistent whole, subserving growth with stability and social justice as implied in a socialist pattern of development. The three facts of the policy are closely interlinked.

Implementation

Great stress has been laid on implementation. We have to improve the performance of the administrative apparatus, to avoid delays, to cut out waste and to stop leakages The growth of outputs envisaged in the Plan will not materialise unless project formulation is greatly intensified and implementation speeded up. There has to be a greater utilisation of capacity, an early remedy for the persisting imbalances and inter-sectoral distortions in the economy and a better maintenance of plant and equipment. Much of the delays and inefficiency can be attributed to inadequacies of management and lack of harmony in industrial relations.

It is imperative to bring about a marked improvement in the operation of the public sector as also of the private sector. An accelerated growth of the economy and a pattern of development weighted in favour of basic industries, agricu

ture and social services require changes in the administration. An antiquated administrative structure and leisurely procedures are not compatible with the fulfilment of the Plan tasks.

A People's Plan

The goals set for the fifth Plan call for discipline, hard work, and sacrifices from all sections of the population. In order to ensure that these are forthcoming in the required measure, active involvement of the people in the formulation and implementation of the Plan becomes a necessary condition. Priority has to be accorded to working out and putting into practice the varied modalities of involvement. Only thus could the fifth Plan 1974-79 be truly a people's plan.

Taxation of agricultural wealth and income

THE COMMITEEE on taxation of agricultural wealth and income (chairman : K. N. Raj) has recommended a tax on agricultural holdings rather than incomes. It has been estimated that a graded tax on agricultural holdings on the basis of their size and productivity will yield to the states revenue of nearly Rs 200 crores a year. Moreover, the committee has upheld the constitutional right of states to impose taxes on the agricultural sector and has suggested that even the additional revenue that accrues to the centre on account of levies on aggregated agricultural and non-agricultural incomes may be transferred to the states.

The suggestions of the committee imply that the new tax system would be based on the size of the agricultural holdings as well as the crop pattern, thus amounting to a modified version of taxation on land with an element of progression. The committee has also suggested a scheme of partial integration of non-agricultural incomes of persons with incomes from land.

A summary of the main conclusions and recommendations of the report is given below:

Summary of Main Conclusions and Recommendations

1. The richest one-tenth of the households in the country account for about 25 per cent of the total private consumption, over 40 per cent of the total household incomes, and not less than two-thirds of privately owned wealth. The major share of the additional resources has to come from this stratum.

2. Indirect taxes have an important role in the fiscal system. It would also be possible to achieve a degree of progression through indirect taxation by levying it on commodities and services consumed by the richer sections of the population. Nevertheless, commodity taxation has serious limitations as an instrument of resource mobilization, since it is more easily shifted and very often leads to unintended cost escalations. For equitable distribution of the burden it is essential to use direct taxation to the maximum extent possible for resource mobilization.

3. The incidence of direct taxation should be broadly the same on comparable income and wealth groups irrespective of the sources of income and the forms in which wealth is held. This does not necessarily mean that the forms of direct taxation adopted for application to different categories of income and wealth should be identical.

4. Direct taxes on agriculture levied by the States (viz., land revenue, cesses and surcharges based on land revenue, crop cesses and agricultural income-tax) account for barely one per cent of the Net Domestic Product from agriculture, and the proportion varies widely from State to State; it is about 0.24 per cent in Orissa and Punjab and 1.34 per cent in Rajasthan.

5. In devising a system of direct taxation of agriculture, it is necessary to ensure that the relatively better-off sections pay proportionately more out of their income and wealth so that there is a resonable degree of progression in the tax. The principle of progression has not governed the land revenue—the largest element of direct taxation of agriculture. Since there is no perceptible progression in the incidence of surcharges on land revenue and since other taxes levied on agriculture are relatively light, income-earners belonging to the higher strata pay less than those in comparable strata deriving their income from non-agricultural sources.

6. The proposed ceilings on land holdings have greatly reduced the scope for progressive taxation in agriculture. Even so, there will be incomes earned from agriculture large enough to come within the purview of progressive tax. The size of operational ceilings would not necessarily be limited by the proposed ceilings. Further, with technological improvement, proudictivity of land is likely to increase in future.

7. For purposes of direct taxation the family-consisting of husband, wife and minor children—should be the basic unit of assessment. This is required also for preventing large-scale avoidance. If direct taxation is to become a major instrument of resources mobilization on an equitable basis, it is also necessary to close the loopholes offered by the various exemptions and deductions.

8. With a ceiling on land holdings, a growing percentage of the agricultural population particularly in the higher strata is likely to turn increasingly to non-agricultural sources of income. There has to be, therefore, a mechanism to ensure that incomes whether derived from agricultural or non-agricultural activities are taken into account for progressive direct taxation.

9. In looking for a suitable system of direct taxation of agriculture the facts of a federal polity and of the distribution of functions and power between the Centre and the federating States have to be borne in mind.

10. One alternative which is readily available for the direct taxation of agriculture is integrated taxation of agricultural and non-agricultural wealth. There is no constitutional impediment to the levy of such a tax by the Centre. If the coverage of the tax is widened by adopting the family as the basic unit or by reducing the basic exemption limit or by cutting down the exemptions wealth tax can be a useful instrument of direct taxation. But if the exemption limit is lowered several difficulties will arise including problems of identifying potential assessess, the taxable assets and valuation of assets etc. In the conditions of Indian agriculture this will inevitably give rise to considerable harassment and possibly lead to saving being increasingly held in forms that are more easily concealed such as gold and currency hoards. Hence caution has to be exercised in the use of wealth-tax as the principal instrument of resource mobilization from the agricultural population.

11. An alternative recommended by many is a completely integrated system of taxaton of agricultural and non-agricultural incomes. This would require a major constitutional amendment to empower the Centre to levy tax on agricultural incomes. Such a course of action is not favoured by the States. Besides, since proper assessment of agricultural incomes requires a degree of knowledge of local conditions,

in any practical system of taxation of agricultural incomes the primary responsibility for the levy and collection of the tax will have to be with the States. Apart from these considerations, taxation of agriculturists according to actual incomes assessed from year to year poses various problems. The computation of actual income from farming with any degree of precision is extremely difficult. Few among the farmers maintain detailed accounts. Hence the risk of harassment by tax officials and equally the opportunities for under stating incomes are likely to be considerable if the tax is based on the 'actual income' concept.

12. An alternative often suggested is a progressive surcharge on the existing land revenue. But there is no uniformity in the principles and procedures followed in land revenue assessments in different States and in different areas within the same State. The existing land revenue therefore does not offer a satisfactory basis for a system of progressive surcharge.

13. A rational system of direct taxation of agriculture (i) should take account of the difference in productivity on land depending upon the particular crops grown in a region; (ii) its incidence should be uniform in different parts of the country, and (iii) it must reflect changes in productivity and prices over a period of time. Moreover, it should be possible to build into the tax an element of progression.

14. The major factors underlying differences in the productivity of land are, (i) soil-climatic differences; (ii) conditions of water supply; and (iii) crops grown. An Agricultural Holdings Tax (AHT) needs to be devised to adequately take account of the factors making for such variations in the productivity of land.

15. The salient features of the proposed scheme of AHT are under:—

(a) The country should be divided into a sufficiently large number of soil climatically homogeneous districts/tracts so that differences having any significant influence on productivity are taken into account:

(b) For each such district/tract norms of output of different crops per hectare for each year should be worked out on the basis of estimates of yield for the previous 10 years' these should be valued at the relevant average harvest prices of the preceding three years. The State Governments should notify the marketing and post-harvest marketing periods relating to each crop in each district/tract and arrange to collect, record and publish the relevant prices on a regular basis;

(c) The norms so derived would provide the norms of the value of the output per hectare of different crops of different district tracts;

(d) From the value of the gross output of the crops arrived at as above allowance should be made for the paid out cost of cultivation other than expenses of irrigation and also for depciation of assets (other than livestock) along the lines indicated.

(e) The norms arrivd at in the above manner would form the rateable value of a hectare of land growing different crops in different district/tracts.

(f) If in a given year, the average output of a crop in a district is less than half the average output of earlier 10 years, the rateable value of land under such a crop should be taken at zero. Relief may be allowed for crop failure in part or parts of a district/tract after enquiry by an appropriate authority.

(g) To simplify the computation crops under a district/tract may be suitably grouped under a few crop groups.

(h) For each district/tract there will be a schedule of rateable value of land per hectare under different crops/crop-groups. The schedule should be revised every year taking into account, the crop yields of the preceding 10 years, the harvest prices of the preceding three years and any revision that may be made from time to time in the scale of deduction to be made on account of the costs of cultivation of different crops. The schedule of rateable value of lands under different crops in each district/ tract should be prepared on this basis every year and included in the legislation of the year in question. The construction of the schedule for each district/tract in a State will be primarily the responsibility of the State Government concerned.

(i) The rateable value of an assessable land holding will be computed from the rateable values of land under the crops actually grown (harvested) on it during the year of assessment after deducting the expenses of irrigation in the manner indicated.

16. To provide for the costs of development, a development allowance should be given to all agricultural holdings at the rate of 20 per cent of the rateable value subject to a maximum of Rs 1000.

17. The actual tax liability under the Agricultural Holdings Tax would be arrived at by applying a simple formula to the rateable value of the holdings minus the development allowance; if the rateable value of a holding (minus the development allowance) is 'X' thousand rupees the AHT should form X/2 per cent of this amount. Thus for example, if the rateable value of a holding is Rs 10000 the AHT would be 9.0/2 or 4.5 per cent of Rs 9000 (i.e. Rs 10000 minus 1000 deductible as development allowance), which is equal to Rs 405.

18. As the incidence of the AHT decreases progressively on small holdings, the formula should be applied to rateable values upto Rs 600. For holdings of rateable value below Rs 600 AHT may be fixed at a flat rate of Rs 1 per holding.

19. Tax on agricultural holdings should be levied on operational holdings and on a family basis (family consisting of husband, wife and minor children). Adoption of the operational holdings as the basis for the AHT will discourage illegal or concealed leases and thus help protect the rights of the tenants.

20. The implementation of the AHT may be made in two phases. In the first phase the present land revenue should be replaced by the AHT on all operational holdings with rateable value of Rs 5000 or more. Suitable steps would need to be taken in the first phase for identification of all operational holdings likely to have rateable value of Rs 5000 and for aggregation of holdings of all family members. Holdings lying in different States should be treated as separate holdings and assessed as such. In the Second Phase the system may be extended to operational holdings of rateable value below Rs 5000 according to the convenience of each State Government.

21. To facilitate the determination of rateable values of holdings a system of crops inspection and recording of crop acreages should be evolved. Recording of crop acreage on assessable holdings must be done expeditiously so that the rateable value is ascertained well within the year of assessment. Reasonable opportunity should be given to each land holder to represent his case if in his opinion the crop acreage shown on his land holdings are incorrect. A regular procedure will have to be laid down for the purpose. It would be convenient if a separate 'Agricultural Holding Book' is issued to each assessable landholder in which are entered details relating to members of the family, details or operational holdings, changes in the area covered by the holding from time to time and crops grown in different seasons each year. The rateable value of the holding, the AHT assessment and the recovery of instalments as also all loan transactions related to the land holdings should be en-

tered in this book. The book should be permanently with the land holder.

22. The assessment year should be uniformly from July 1, to June 30. Every year on the basis of the recorded crop groups the rateable value of each holding should be worked out, the AHT computed at the prescribed rates and a notice of demand presented to each assessee before 30th June of the assessment year. The recovery of the tax may be made in suitable instalments in the following year.

23. The AHT should replace land revenue for all operational holdings of rateable value of Rs 5000 and more. Extension of the AHT to holdings of small rateable value may be made at the discretion of State Governments in the following phases:

I. All operational holdings rateable value of Rs 2500 and above may be covered;

II. On the remaining holdings a census of land utilisation and recording of crop acreage may be done once in five years. Their rateable value may be ascertained on this basis, the AHT assessed and kept fixed for the next five years. All agricultural holdings with the rateable value of less than Rs 600 may be required to pay AHT at a flat rate of Rs 1 per holding.

24. Where an operational holding stands in the name of a trust, the holding should be notionally apportioned among the beneficiaries in the proportion in which the income of the trust is enjoyed by them and the respective shares aggregated with the holdings of the families to which the beneficiaries belong. Where the share of the beneficiaries is indeterminate, the agricultural holdings of the trust should be assessed to AHT at a minimum rate of 20 per cent of the rateable value. There should be no concessional treatment for charitable for religious trusts.

25. In the cases of cooperatives, in so far as a part or the whole of the operational agricultural holding of a cooperative society consists of lands identifiable as legally belonging to individual members such lands should be treated as part of the agricultural holdings of the family to which these members belong. Where such lands are not so identifiable they may be deemed to be operated by the member in equal part and each such part treated as a component of the agricultural holdings of the respective members.

26. Holdings of agricultural companies may be assessed for AHT on the same basis as family holdings subject to a minimum for 20 per cent of the rateable value of their operational holdings. As regards holdings of plantation companies, the present system of agricultural income taxation on plantation companies may continue. However, to the extent the area operated by them is used for growing non-plantation crops, these companies should be subjected to AHT like any other agricultural company.

27. After the notice of demand is served an opportunity should be given to the tax payer to challenge the correctness of the computation of the tax-liability.

28. While framing the scheme of the AHT the requirement that a tax statute like any other statute must respect the principle of equality enshrined in the Constitution has been kept in view.

29. To ensure uniform and objectiv application of the AHT all over the country there should be a standing All-India Committee on Agricultural Holdings Tax. This Committee should be appointed by Planning Commission and it should consist of three members:—

(1) A non-official economist;

(ii) An official with experience of Revenue Administration at the State level; and

(iii) A technical officer who is or has been a Director of Agriculture in a State.

The Committee should undertake every year a post facto review of the operation of the AHT in all the States and consult the State Government were significant departures are found from the desired uniformity and objectivity in the application of the AHT. The Committee should submit an Annual Review to the Planning Commission and they should be placed before the National Development Council.

30. On the basis of available data the agricultural holdings tax may be expected to yield about Rs 200 crores per annum, if applied to all holdings with rateable value of Rs 5000 and above. If this tax replaces land revenue and related surcharges and cesses, the net additional revenue that may be collected from this tax would be around Rs 150 crores If extended to all holdings of rateable value of Rs 2500 or more, the additional resources may be around Rs 200 crores.

31. There should be some arrangement to ensure that the tax burden on assessees with similar incomes does not differ sharply merely because of the fact that part of it is derived from agriculture. This can be achieved without bringing agricultural incomes under the charge of Central income-tax if such incomes are taken into account in determining the rate of tax applicable to non-agricultural incomes. This would also help check evasion through the device of camouflaging taxable income as gains from agriculture.

32. A suitable provision should therefore be made in the Income-tax Act, 1961 whereby both agricultural and non-agricultural components of a tax payer's income are aggregated and the tax on the non-agricultural portion is levied as if the latter were placed in the top slabs of the aggregate income. Integration of agricultural and non-agricultural incomes should take effect only if an assessee has taxable income exceeding the minimum exemption limit laid down for the levy of the Central income-tax. In determining the rate of tax on non agricultural income, the agricultural income and non-agricultural income should be combined in the following manner and order: (i) the initial exemption allowed out of non-agricultural income (Rs 5000 at present), (ii) agricultural income and (iii) the balance of non-agricultural income.

33. Since the proposal does not envisage levy of any tax on agricultural income by the Centre it would not require any constitutional amendment.

34. The suggestion to achieve partial integration by allowing the States to levy tax on agricultural income at the rates appropriate to the total incomes comprising both agricultural and non-agricultural income is not practicable.

35. In computing net income from agriculture for the purpose of partial integration, all items of expenditure allowed under the Income tax Act in the computation of income from business or profession, including depreciation of machinery and tools used in agriculture, should deducted from gross receipts. To avoid harassment to assessees however, rules should be framed by the Central Government in consultation with the State Government and the proposed All-India Committee on Agricultural Holdings Tax prescribing the maximum scale of expenses allowable under the major heads in computation of agricultural income in different districts/tracts.

36. The liability on account of the proposed Agricultural Holdings Tax should not be allowed as deductible expenditure while computing agricultural income.

37. Losses incurred in agriculture should be allowed to be set-off only against gains from agriculture.

38. Administrative arrange-

ments should be made for certification of the extent of the aggregate agricultural holdings of assessees, the nature of crops grown and the rateable value of the holdings by an appropriate revenue authority designated by the State Governments in each district.

39. The additional revenue realised as a result of the partial integration of agricultural with non-agricultural income in the above manner should go entirely to the State of origin of the agricultural income so aggregated.

40. The AHT should be supplemented with a tax on agricultural property and a tax on capital gains arising out of transactions in such property.

41. It is now well settled that Parliament can legislate for the levy of tax on net wealth including the value of agricultural land. At present, however, the wealth-tax in general has a member of limitations due to numerous exemptions allowed. Many of the exemption now allowed are regressive in effect if it is considered necessary to stimulate saving or to promote saving in particular forms, the financial institutions concerned may be enabled to offer higher rates of return to all investors.

42. Wealth-tax should be levied on a family basis. The basic exemption limit may be raised to Rs 1.5 lakhs and all other exemptions done away with as far as possible. If the exemption limit is so fixed few families in agriculture would be required to pay any wealth tax on their own agricultural boldings, unless they have substantial assets in other forms as well. With the removal of all exemptions other than that provided by the basic exemption limit, there would be a case for lowering the rates of tax in order that assessees on the margin of the exemped limit are not too heavily burdened.

43. Value of shares in companies and cooperatives should be included in full in the taxable wealth of the shareholders and their market worth determined rigorously. No concession should be given to religious and charitable trusts in the matter of wealth tax.

44. Valuation of farm lands for wealth tax purposes should, generally, be made through the method of income capitalization. A simple and adequate method would be to take 4 to 6 times the rateable value of a holding averaged over a period of years. Guidelines may be issued to the assessing officers regarding factors to be kept in view while taking a decisions about the figure of the multiplier to be adopted for income-capitalization.

45. The definition of capital asset should be so widened as to permit taxation of capital gains from transfer of all agricultural lands irrespective of their location. Gains from transaction in assets held for not more than a year should be treated as ordinary income and taxed accordingly. To mitigate the inequity involved in the taxation of capital gains derived from sale of assets held for more than a year at progressive rates a method of prorating the long term capital gains over a number of years without reopening any back year's assessment may be followed. Treatment of losses on long term capital assets might continue as at present. The exemption of long term capital gains from tax currently allowed (when a non-corporate assessee's income does not exceed Rs 10000 or when the gains are less than Rs 5000) should go once the prorating method is adopted.

46. As capital gains are not taxable unitil an asset is sold other alternatives have to be looked for in order to recoup a part of the cost of development projects within a reasonable period.

47. The additional revenue likely to be realised if the tax on agricultural wealth and on capital gains agricultural assets is operated on an integratded basis on the lines suggested would be around Rs 100—150 crores.

48. As has been suggested for the AHT the basic unit of assessment for income tax and wealth tax also should be the family consisting of the husband wife and minor children being the unit of income receipt, of consumption and related decision making. However, when the family is made the tax unit, a deduction may be allowed from salary income at the rate of 10 per cent of the joint income of the spouses when both are employed outside the household and 20 per cent of the income of a surviving spouse with minor children to maintain), subject to a maximum of Rs 2000.

49. With the adoption of the family as the basic tax unit, the recognition of the Hindu Undivided Family as a tax entity should be withdrawn.

50. Income from livestock breading and poultry and dairy farming, which is now exempt from taxation should be subjected to income tax.

51. Irrigation water should be viewed as an input and should be priced to cover the cost of providing it. Under pricing of inputs like water is, undesirable except in the initiable stages. The betterment levy is unsuitable as an instrument for recovering capital cost of projects. In the case of certain kinds of public investment such as those involved in urban development, the capital costs may be recouped by setting up a Land Commission and vesting it with power to "acquire, manage and dispose of land". The Land Commission can play a useful dispose of land". The Land Commission can play a useful role in framing and securing the financial support for development programmes.

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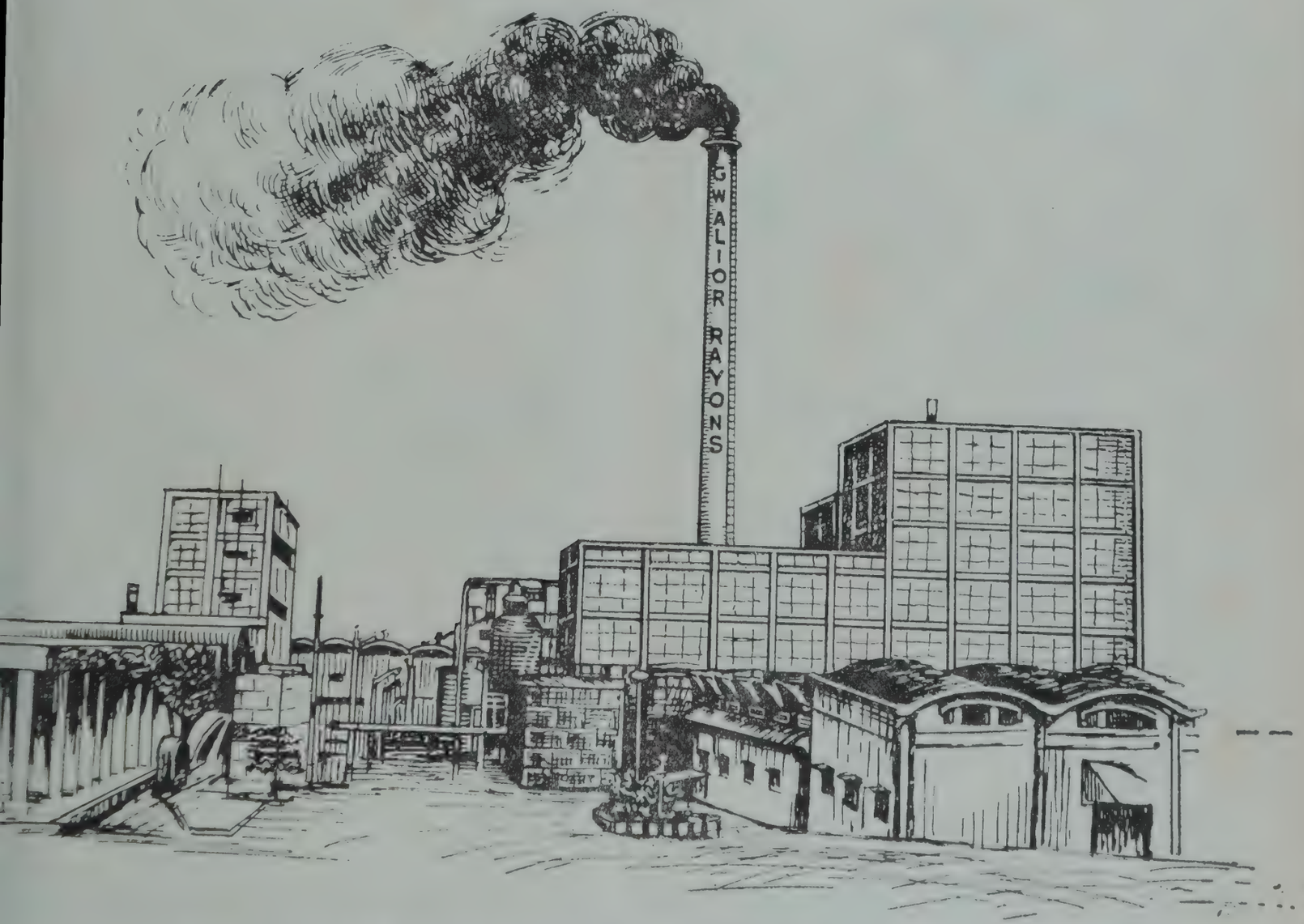
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On the Peg of Prices

THE OPPOSITION parties in the Lok Sabha may be congratulated on having helped to start the winter session of the House with proper regard to national priorities. There can be no doubt that the most important issue g the country today is the mismanagement of the economy by the government. ough the Lok Sabha debate itself was hung on the peg of prices, it was clear gh that those who participated in it were fully aware of the truth that they were iscussing any single aspect of a grave economic situation but the general deterio- n in the economic outlook itself. Again, while the politician in the Finance ster disabled him from resisting the temptation to score a debating point over the osition speakers by making a pompous appeal to them not to exploit a onal calamity" caused by a "natural calamity," even he was no doubt conscious e fact that he was indulging in unacceptable hyperbole.

For one thing, there has been no natural calamity, but only a very partial failure e monsoon in a particular crop year which has been preceded by a series of good sts, both kharif and rabi. If the Finance Minister really considers this to be a ural calamity", then he must be woefully ill-informed about his country's agri- al cycles, remote or recent. Even the more exuberant enthusiasts of the green ution have not been claiming that the vagaries of the monsoons have been ered once for all.

Moreover what is this "national calamity" which Mr Chavan is talking of ? It ite possible, of course, to argue that the continuous mismanagement of the omy by the government is itself a national calamity, but the Finance Minister, , could not have had this on his tongue, even if he might have had it in his of hearts. In any case this mismanagement is not an unpredictable or even dicted emergency, for it has been for long a chronic condition which may, of e, break out into a crisis any time. This being the case, the Opposition has right to raise the issue of the government's failure to manage the economy pro- and no demagogic appeal to a fanciful patriotism by the Finance Minister or ther politician in power can rescue the Prime Minister and her team from the rrassment of being called to account.

As has been indicated earlier, the issue of prices is only a peg to hang the debate ut this does not mean that steadily rising prices, even if they are only one of the toms of a deeper economic *malaise*, are not a grave enough matter. Here, un- nately, neither the Treasury Benches nor the Opposition speakers have been y brimming with constructive proposals. The country has no doubt been assured he government would not hesitate to import foodgrains or even pulses if neces- nd Mr Chavan of course was emphatic that public distribution would be exten- nd strengthened to take care of the needs of the poor or vulnerable sections of mmunity. These measures are essentially in the nature of palliatives and they le no answer, whether long-term or even short-term, for ills of a mismanaged my which now seems to be held firmly in the grip of what may be described as tionary stagnation". Although public sentiment and the politicians' reflexes are lly sensitive to food prices, informed opinion has a duty to express the truth he squeeze on the people's standard of living and, indeed, on the bare living ions of a very large number of them, is being exerted by many forces of which quate national savings, misdirected investment, and the government's restric- n in the industrial field and its continuing inability to grasp the true dimensions economic growth needed by this populous country, which is still adding liberal- ts population, are clearly the most important.

Against this background, the Finance Minister's assurance that the budget pro- for deficit financing will not be exceeded—assuming that this is lived up to—can e of limited significance. Mr Chavan has raised the *ante* on government ing and this is clearly part of the reason why he is hopeful that the government e able to control its dependence on deficit financing, but the very fact that the ng system is bursting with usable funds for which the economy is failing to ositive and purposeful opportunities of investment in the normal course is yet r indication that the government's economic policies are not only failing to te large enough resources for solid development, but are also not permitting nomic climate in which the resources available for investment at least can be tly and properly employed. Some of the Opposition speakers had called for ignation of Mr Fakhruddin Ali Ahmed because the growth in foodgrain pro- n has been interrupted. Mr Ahmed was not a great success as Minister for rial Development and there never was any reason to expect that he was going ke a dynamic Minister for Food and Agriculture.

This apart, even the government is not sure how much the kharif have suffered. Some time ago, figures of the order of 15 million tons being mentioned. Now the fashionable figure seems to be about half amount. Food statistics, particularly, have notoriously been for

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lying and here, in all likelihood, the truth might be that estimates of the kharif loss have been and are still being exaggerated—by the government because it wants to claim that it is managing a difficult situation most wonderfully and by Opposition politicians because they seek to emphasise the government's lapses in sustaining the green revolution. Fortunately, the trade and the consumer have kept their heads. There have been no widespread scarcities of foodgrains anywhere in the country and as the kharif harvests actually move into markets in bulk, whatever excessive increases in prices there have been will be disciplined to an effective extent, What will continue to plague the economy is the underlying inflationary stagnation and the governments unwillingness to cope with the requirements of stable economic growth.

An ill wind

IN ITS ANXIETY to prevent undue concentration of economic power in the industrial corporate sector and to avoid undesirable changes in the pattern of ownership of shareholdings of public limited companies and of those private limited companies which are subsidiaries of the former or which have sizable interests in flourishing public limited companies, the government has been adopting an unimaginative and negative approach which has had a throttling effect even on the desirable growth of established industrial units and on the promotion of new ventures. The Monopolies and Restrictive Trade Practices Act has by itself delayed the implementation of expansion schemes by "dominant" and "monopolistic" companies and there are even several instances of industrial units being obliged to drop many schemes because the government did not consider it desirable to allow the units concerned to grow further in stature. It is not as if the government is unware of the harm that has been done by the tortuous procedures that had to be adopted for getting clearance of even worthwhile and desirable schemes from the Monopolies Commission as it has happened that because of practical difficulties and other factors other entrepreneurs have not found it possible to take advantage of the new opportunities.

Many new spokes in the wheel of progress will however be introduced if the new Commpanies Amendment Bill is passed by Parliament, substantially in its present form. The Indian Companies Act of 1956 has been amended on three occasions in the past decade and even the existing powers are so sweeping that the government has the right to interfere with the management of even companies in which it is not interested directly substantially or through the statutory financial corporations. With the powers vested under the Companies Act, the advantage of continuous acquisition of equity shareholdings through the Unit Trust of India, the Life Insurance Corporation and the statutory financial corporations and the opportunity available for converting part of loans granted to industrial units into equity shares on a prescribed basis, nationalisation of quite a large number of industrial units is being achieved through the backdoor. As the government has virtual control over all available monetary resources it is in a position to employ them with a specific purpose of acquiring majority or strategic ownership of equity shareholdings in those industrial units which it considers important for furthering its policies or bringing about a dilution in the concentration of ownership in some directions.

The government is apparently not satisfied with the existing powers and the control that it is exercising over the managements of quite a large number of non-banking companies. The Companies Amendment Bill now before the Select Committee, unless it is drastically modified, will result in the government getting the overlordship of industrial units even when it is not substantially interested as an investor and lead to constant interference with their management and even a paralysation of day to day activities. It is certainly necessary to prevent undesirable take-overs or undue cornering of shares by groups of individuals which may affect the efficient functioning of flourishing units. But simply because there have been attempts at mergers by dominant companies which have been prevented from expanding their activities, by taking advantage of some loopholes in the Company Law or the efforts of some foreign-owned companies to repatriate their acccumulated reserves in a big way by declaring high dividends, when there was no possibility of employing them usefully in new schemes, the government should not get rattled and introduce measures which will have a crippling effect on new forms of industrial activity. Before any drastic restrictions are placed on companies and individuals regarding the extent and transfer of ownership of shareholdings there should be an enquiry into the pattern of ownership of public limited companies.

In the absence of a critical study and a clear understanding of the issues involved the proposals contained in the Bill for preventing acquisition of shareholdings of more than 25 per cent of the paid-up capital, disabling sale by companies or groups of individuals of shareholdings where they prove to be in excess of 10 per cent of the paid-up capital of the companies concerned and virtually freezing the holdings of individuals or companies where they happen to be in excess of one-third of the paid-up capital will seriously affect the liquidity of shareholdings and make it difficult to transact even normal business in the stock markets. The stock exchange authorities are naturally worried that many of the provisions governing the limitation of ownership and transfer of shareholdings would be unworkable.

Needless difficulties would also be experienced by responsible officers of joint stock companies in completing transfers and even effecting sales of products and purchase of raw materials and components. Simple procedures will have to be evolved for tracing significant changes in the ownership of shareholdings and unless it was clear that buyers and sellers could transact business in shares without undue restrictions, the stock markets will cease to be an important pillar of the capital market. It has even been suggested in the memorandum submitted by the stock exchanges that all mergers and take-overs are not undesirable as the world over these are taking place in a routine manner and the government interferes only when there is undue concentration or there are mala fide take-overs. There should be no bar to the disposal of concentrated holdings which will bring about a further dispersal. The provisions now conceived will have the effect of a virtual freezing of the ownership of shareholdings in particular directions and if any transfers take place they may be allowed only when the statutory financial corporations are in the picture. These restrictions along with the new powers to the government for appointing any number of directors on the boards of companies even where they are not substantially interested will result as stated above in a gradual contraction of public ownership and dominance of industrial units by the government. While this domination will have a discouraging effect on even well managed industrial units the promotion of entirely new units will also be seriously impeded.

Apart from the likelihood of the new provisions affecting seriously the liquidity of shareholdings, the suggestion that dividends can be paid only out of current earnings and that permission should be obtained from the Company Law Authority for declaring even normal dividends in lean years or years of losses by utilising some portion of accumulated reserves has already had a damaging effect on the psychology of investors. There should not be any restriction on the payment of dividends which are not unusual by

utilising reserves. It may even be theoretically justifiable to dissipate reserves as has been done by ESSO, Goodyear India and others, if it is felt that available resources cannot be profitably employed in expanding the businesses concerned. The government has of course been worried about the strain created by these large payments on the balance of payments position though one wonders how there could have been a different effect cumulatively if there had been earlier staggered remittances. The managements of companies know how to conserve resources and when to disburse them.

The immediate effect of the new provision has been to encourage the payment of liberal dividends out of current earnings and discourage a further building up of reserves. It is also reported that many private limited companies are seeking to effect a reduction in the paid-up capital to below Rs 25 lakhs and making also adjustments in shareholdings in other companies so that needless difficulties may not be experienced at a future date with drastic provisions being in force. There is also no justification for handing over to the government amounts held by way of unclaimed dividends for a period over three years as there are not many instances of intentional unclaimed dividends and the formalities now involved in claiming time-barred dividends are cumbrous indeed. The government has therefore to adopt a positive approach to outstanding issues as further stagnation in the industrial sector will have serious harmful effects. It is only to be hoped that the joint select committee will make suitable changes in the new bill and the amended law will not be merely restrictive and obstructive. It has to be an instrument which will be helpful in speeding industrial development on new lines. There should also be no undue obsession over the ownership of shareholdings which are concentrated in particular directions. These can always be satisfactorily diluted as is being done now in the case of foreign owned companies by identifying cases where such concentration exists. It should not be the aim of the government merely to increase its own concentration of ownership of shareholdings of existing and new companies. It should aim at the same time at a broadening of the body of individual shareholders, a process which has received a setback latterly after the impressive growth in the number of individual shareholders recorded in the early sixties.

The 'sick' ordinance

ARGUMENTS, MORE or less plausible, are always given for promulgating an ordinance. The latest ordinance immediately to take over the management of 46 more "sick" textile mills is no exception. Nevertheless, there is sufficient ground for speculation that it is perhaps the decision of the Apollo Mill's workers to take out a *morcha* on the day the Prime Minister was due to arrive in Bombay (November 1, 1972) that clinched the issue. Otherwise, there is no reason why the government should have acted in such indecent haste, without even caring to wait for the findings of the probe into the affairs of the textile mills ordered by itself. But this has been indulged in so often that few, not even those concerned in the textile industry (except it be for a writ petition alleged to have been made by one management to the Supreme Court for a stay order) have cared to question the appropriateness of what is undoubtedly an expropriatory measure. There seems to be hardly any excitement, at any rate overtly, in mill circles.

The promulgation of the ordinance is said to follow a decision by the economic co-ordination committee of the union cabinet on October 30 and the criteria followed for the taking over of a textile mill are stated to be mismanagement, fall in production and employment, closure of units, and legal difficulties. The objectives of the authorities in resorting to the ordinance are claimed to be to ensure speedy rehabilitation of "sick" textile mills and to act as a deterrent to closure of mills, so that the production of the varities of cloth used by the weaker sections of the society may be sustained and unemployment of workers prevented.

Prima facie, all these are unexceptionable, but a careful examination of the list of textile mills taken over and the arithemetic of the authorities do not preclude possible political pressure. Thus, of the 46 mills taken over, not all were closed; only 27 of them were actually closed. At least four mills were working normally and one mill partially. Furthermore, the take-over still leaves out of account for purposes of the ordinance another thirty-six closed mills. Again, it is not clear how or why the list of mills taken over under the latest ordinance includes at least one mill which had earlier been listed by the government as being fit to be scrapped (16 of these had been named by government) and another even the licence for which had been revoked (seven of such mills also had been named). Gaya Textiles, one of the mills taken over under the ordinance, for instance, was closed in December, 1965 and its licence too was revoked on February 16, 1968. It had at the time 24,618 spindles and 588 looms, and a worker-complement of 837. Similarly, Orissa Cotton Mills, Bhagatpur (only a spinning unit with 15,000 spindles and a labour force of 989 workers), another mill taken over under the ordinance, was closed on May 1, 1965.

There would also appear to be an element of exaggeration in some reports in the daily press, inspired or otherwise, both about the total number of mills that have now come under the control of government and about the extent of additional employment anticipated. Thus, before the ordinance, the National Textile Corporation controlled 56 textile mills, including those under the different state textile corporations, some of which, as, for instance, the Maharashtra State Textile Corporation, had already been operating a few mills (MSTC was operating four units). Seven more mills are being run by the Maharashtra State Textile Corporation under the state government's Unemployment Relief Scheme. Making allowances for all these, the total number of mills under government control following the ordinance works out to 98 and not over 100, as reported. As for the additional employment potential, the claim made of one lakh is too tall indeed. For the total complement of the 26 closed mills, which accounted for 6.33 lakh spindles and 6000 looms, and which have since been taken over under the ordinance, was only around 26,000 workers. So the maximum immediate additional employment cannot be more than 30,000.

To the question why, the only relevant reason given for promulgating the ordinance is legal difficulties. It is perhaps relevant to mention here that none of the take over of mills has been effected under even the amended Industries Act of 1971. For, more than mismanagement, the reason for so many textile mills getting into trouble is the emergence of circumstances over which the industry could have no control almost since the end of the second world war. Immediately after the war, the industry, which had been worked to death as it were to ensure supplies for the allied war effort, had money, but no country was in a position to supply textile machinery to enable the industry to rehabilitate itself, let alone modernise. There was hardly any indigenous machinery making industry worth the name at the time. It was only in the

fifties, after the Korean War that Japan was allowed to rebuild its economic potential. Meanwhile, the partition had dealt a severe blow to the industry by depriving it of a large chunk of quality cotton supply. Although the country made a heroic effort to bring more acreage under cotton and raise the availability of this important raw material, a stage was soon reached when there was competition between cotton and food crops, on the one hand, and cotton and other relatively better paying cash crops, on the other.

When modern textile machinery and automatic looms became available, barely had two mills installed automatic looms, the government banned imports of all such sophisticated machinery, thanks to opposition from labour interest strongly supported by Mr Gulzarilal Nanda who was then in power. Then came the Industrial Development and Regulation Act, the sharp rise in taxes, followed, in more recent years, by the abolition of the priority industry status and now the imminent refusal of the development rebate. To this list must also be added the large addition to spindleage and the resulting extra demand for cotton supplies which necessarily took up cotton prices sky-high. Contrast these with the active official encouragement that the textile industry has recieved over these years in country after county—the UK, Japan, West Germany, Italy and the USA —and has, therefore, prospered.

It is idle to wish all these away, even as it is to ignore the practical and pressing recommendations of expert committees like the Manubhai Shah committee (appointed by the government of Gujarat). What has happened to the sensible recommendations of this committee seems to be nobody's business in the government of Bombay. If, as the Foreign Trade Minister Mr L. N. Mishra wants, the textile industry to become healthy, there is no use his merely claiming the ordinance to be a "major step of the government" in this direction. He has to apply his mind, and also make the National Textile Corporation with all its increased responsibilities since, to modernise the industry as early as possible.

It is impossible to estimate how many textile mills are "sick", though a daily contemporary has hazarded the number to be about 100. If by "sick", one implies that all mills which are making loss today are covered by the epithet, the number may be easily more. But not all of these, including some which have been taken-over, are really sick. Nor is it correct to crow over the so-called encouraging performance of the mills under the Maharashtra State Textile Corporation as seems to be the facile fashion. It is not so much the lapse of eight years or even the investment of Rs 18 crores (though these have certainly been very helpful) as the fall in cotton prices unaccompained by a corresponding fall in cloth prices that really explain the present reasonably healthy state of the really viable units of the industry. But it is too much to hope for the undefinite continuance of this unusual spell of good fortune, what with the pressures of the farm lobby for higher prices and of the working classes for higher emoluments, not to speak of the growingly relentless competition in the export markets. In other words, the task ahead of those to whose lot it has fallen to tend the taken-over textile units is not going to be esasy, so that all the official optimism now being oozed cannot but seem too premature.

There is one important aspect of this take -over that requires to be highlighted. It is the uncertain, if not unfortunate, fate of the minority shareholders and the creditors of the units taken over. Surely these cannot be held to ransom for the sins of those in actual management or mismanagement of some of the units. But, to judge from the trend of recent legislation and the recent categorical stand of the Chairman of the National Textile Corporation on this subject, there would appear to be very little hope for them. An unexpected and unpleasant consequence of all these doings of the government is that, overnight, some managements of mills (especially if these happen to have been managers of any of the mills taken over) who are in need of funds and supplies of raw materials have ceased to be credit worthy! Currently, in textile circles the greatest challenge to mill management is to seek and obtain financial accommodation from the nationalised banks and in particular, the State Bank of India. It would be interesting—no idle curiority to be noted—to know the extent of loss that the State Bank of India might incur consequent to the latest take-over of textile mills and the inevitable writing off all loans made by the bank to such mills.

Depression in jute

THE INDIAN Jute Mills Association has described the government's decision to reduce the export duty on primary carpet backing by Rs 400 per tonne as "acutely disappointing". This reaction is understandable in view of the depressing conditions through which the jute industry has been passing in the recent months. Because of the sharp increase in the cost of production, and the keen competition from synthetics, the export of Indian jute goods, particularly carpet backing, has suffered seriously in the current year.

The production of carpet backing in August this year was only 13,000 tonnes compared to 22,000 tonnes in December, 1971. In the same period, Calcutta despatches of the fabric for export declined to 7,500 tonnes from 21,000 tonnes. At the end of August this year the US inventory of carpet backing amounted to 32.93 million yards which was higher by 165 per cent over the same month in the previous year. There has also been a substantial increase in Indian stocks of carpet backing from 13,000 tonnes in September 1971 to 29,000 tonnes at the end of September this year. The trend in the export of carpet backing in the recent years is shown in Table I (page 1041).

In the light of these facts, the decision of the government to cut the export duty only on primary carpet backing is difficult to appreciate. Since primary carpet backing will continue to bear the export duty of Rs 300 per tonne, its competitive position is unlikely to improve. The government's attempt to distinguish between primary carpet backing and secondary carpet backing is hard to justify. Jute's share in the market for secondary carpet backing is estimated to have declined from 71 per cent to 62 per cent between 1968 and the second quarter of 1972. Its share of the market for all primary backings used in the American carpet production was 46 per cent in the second quarter of 1972 against 81 per cent in 1968.

In the absence of adequate relief, the export of carpet backing especially to the USA is unlikely to improve. Over 80 per cent of the USA's import of carpet backing is from India, the other main supplier being Bangladesh. In 1969-70 India's share in the USA's total import of carpet backing was 82.8 per cent. This declined to 74.9 per cent in 1970-71 but in 1971-72 there was a sharp increase to 85.3 per cent. The share of Bangladesh in this import was 24.6 per cent in 1971-72 compared to 34.9 per cent in 1970-71 and 28.9 per cent in 1969-70. The USA's total imports of carpet backing amounted to 2,06,600 tonnes in 1971-72 compared to 1,59,600 tonnes in 1970-71 and 1,85,600 tonnes in 1969-70. India's total exports of carpet backing were valued at Rs 102 crores in 1971-7

against Rs 63.91 crores in 1970-71. But if the present level of export duty continues, the earnings from this source are likely to fall in the coming years.

It is also difficult to defend the government's decision not to make any change in regard to the export duty on hessian and sacking. Hessian is also a major item of export. In May/August 1972 despatches of hessian for export amounted only to 83,000 tonnes compared to 99,000 tonnes in the first four months ended August 1971 and 96,000 tonnes in the first four months of the current year.

The export duty on sacking is also anomalous in the present context. There has been a revival in the demand for Indian sacking from many parts of the world in the recent months. As shown in Table II, our total export of sacking rose sharply from 85,700 tonnes in 1970-71 to 135,800 tonnes in 1971-72. Though the offtake by the USSR declined steeply, there was a big increase in the export of this item to the countries of the Far East, Australia, New Zealand and many other destinations. The IJMA has assessed the export prospects as follows: "Indian export of sacking this year, based on despatches for January-September, is expected to be 120,000 tonnes, and the industry considers that, with proper planning and a measure of price stability, it should be possible for India to share the world sacking market with Bangladesh on an expanding basis. It would not be too optimistic to aim at an average annual export of 200,000 tonnes, or half of the mid-fifties figure of 400,000 tonnes which, with intensifying Pakistani competition, slumped to only 48,000 tonnes by 1969."

The government of India seems unlikely to make further changes in the export duty in the near future. But the continuation of the export duty at the current level is bound to affect the country's foreign exchange earnings and the fortunes of the jute industry. On October 9 this year, the IJMA said in a statement that the jute industry was in the midst of a depression which was "the worst in recent years". The association added that the depression was deepening from month to month and it had overtaken the industry almost exclusively from the demand side because of its increasing inability to market its product. The association warned that unless practical measures were immediately taken to make the jute goods move in the world market, the future of many manufacturing units looked "dangerously uncertain".

Even if the central government remains unmoved by this trend, can West Bengal afford to remain indifferent? The jute industry provides direct employment to 2.5 lakh families and about two crores of people derive their livelihood from the cultivation of jute and its related activities. It has been estimated that every two persons out of five in West Bengal owe their living to jute directly or indirectly. The government of West Bengal, and also the other eastern states which produce raw jute, should impress on New Delhi the imperative need to revive and strengthen the industry's competitive capacity by suitable changes in the export duty and in other ways.

TABLE I

India's Exports of (Jute) Carpet Backing Cloth

(Value in '000 Rs.)

Country	1968-69	1969-70	1970-71	1971-72
Australia	1,91,91	2,70,58	2,57,79	4,03,97
Belgium-Luxembourg	2,09,64	1,79,63	46,30	1,14,13
Canada	5,35,64	5,53,28	4,33,88	4,98,18
Czechoslovakia	50,51	30,89	43,57	95,37
Japan	2,02,59	3,70,04	1,44,91	3,53,18
New Zealand	97,05	1,16,67	72,25	1,57,72
UK	24,69	52,36	25,23	38,73
USA	75,99,20	80,37,88	51,12,44	82,35,64
Yugoslavia	—	57,24	55,28	58,46
Total	91,14,28	101,15,67	63,91,96	102,80,22

TABLE II

Export of Hessian and Sacking From India

Countries	Hessian (Tonnes)		Sacking (Tonnes)	
	1971-72	1970-71	1971-72	1970-71
U K	15,500	5,300	900	—
Rest of West Europe	11,400	7,000	4,400	1,100
USSR	74,600	74,000	18,100	33,000
Rest of East Europe	21,400	23,900	4,500	1,000
Far East	2,400	1,300	11,400	300
Africa	24,600	35,800	65,100	44,800
USA	96,100	59,500	3,200	2,400
Canada	29,700	21,400	100	—
Argentina	13,400	4,700	100	—
Rest of America	8,000	4,300	8,500	600
Australia	17,200	18,000	5,400	1,200
New Zealand	4,700	3,900	8,600	100
Others	8,700	9,100	5,500	1,200
Total	327,700	268,200	135,800	85,700

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POINTS OF VIEW

Professional management: its ethos

P. L. Tandon

This is the text of a lecture delivered in New Delhi on November 1 by Mr P. L. Tandon, Custodian, Punjab National Bank, on Professional Management in India—Its Contribution, Commitment and Conflict.

MAY I begin by paying a tribute to the late Sir Shri Ram to whose great name this memorial lecture is dedicated? I had the privilege of knowing him, though slightly. I belong to that first generation of professional managers who held him in great regard, somewhat awed, for the width of his vision. At the first meeting I attended under his chairmanship, nearly twenty-five years ago, I was deeply impressed with his quick grasp and decisiveness. I recall wondering then how good it would be to possess his entrepreneurial qualities and business greatness, the success he made of things. His was a great name in the north, and among the first two or three in the whole country.

Times have changed since then, beliefs have undergone a transformation, but I wonder whether we do not need today and for ever those qualities as an industrial leader that set him apart from the many smaller men today; the qualities of risk-taking, boldness, venturesomeness, an eye fixed firmly on results. Did he subserve society's good less than many of us today, who subscribe much to the idea of public benefit but achieve little enough to offer any tangible gain? In the later years, he showed many signs of social responsibility and took many steps to give the society more than mere goods; he gave it institutions of learning and welfare, of scholarship and research, at the same time as he gave it material goods.

changing environment

Environments must change, and it was time that ours also changed. It had stood still for too long, and had acquired in it, besides its stationess, much injustice and social distortions. To correct and remedy these is a task of political conceptualisation, but its implementation, to provide more, is a menagerial task; with the catalytic agent, the administration. This in fact is the subject of my lecture today, an examination of the role of management in the new task that the society has undertaken. A Shri Ram would have done it today with the same competence and success as he did it half a century ago, in the context of the country's need at that time. He created an Indian business then; he would have created a national enterprise today.

I wish to delineate the Indian professional manager, the task he faces, what he has to offer. what is the nature of his commitment to professionalism, and his conflicts that are as inevitable as they are desirable. When a society as stable as ours, whose stability has withstood onslaughts upon its values for a thousand years is at last free to move aheqd of its own volition, however keen its desires for progress, it must inevitably offer resistance to change. The task it sets to its change-agents is the management of the very change that it will resist.

inevitable conflict

Between some of the cherished values of the society and the values that professional management needs to possess to fulfil the task the society sets it, there is a conflict. To the sensitive among the professional managers there may be a frustration in this conflict, but they will also see in it a challenge. Between his desire to achieve what he knows he can achieve, and the constraints upon him that are counter-achievement, and therefore slow down his pace, lie both the conflict and the challenge.

Sometimes in the very radicalism of our society's desire to change there is also the counter-face of conservatism when it comes to actually accepting that change. A passionate desire to change does not necessarily mean an acceptance of change when the reality of change looms large. Many recoil from it for the price change demands, and often the pain it inflicts; and there can be no change without a price paid, and all change is painful, for it means leaving the security of the known for the insecurity of the unknown.

As in other parts of the world, social good as an objective of our society is taking precedence over the purely material. But there is a difference. In the highly developed societies they are talking in terms of a zero rate of growth to protect themselves from ecological and environmental retribution that awaits their endless and sometimes senseless growth.

economic growth

With us the national objective of social good can only be achieved through economic improvement provided that improvement is not at the cost of social justice or environment. To put it positively, economic growth at a very high level is all the more necessary for us if we are to remove the abject lack of the barest needs of life, be they goods, services, education or health. And this is a managerial task that only a well trained professional manager can perform.

To the extent in the past that we have failed to affect the desired improvement, the failure can only have been of our decisions that lacked the determination to remedy the unbalanced distribution. To the extent that our economy did not produce the goods and services to the limits of our capacities was also a failure. If we did not derive the maximum social benefit out of added production, or if we did not get the maximum production itself; for both these we can blame the decision-makers and the managers.

Somehow I cannot blame the administrator, for, important though his role is, he is a catalyst between the two, the planners and the implementers, provided of course he is not a spent catalyst and retains the capacity to regenerate itself. It is possible that a sensitive administrator might feel that perhaps administration could also have regenerated itself better.

As far as the leader's job is concerned, I would also pass no judgment, because

as a leader he has to decide what results he wants and he will usually get what he goes out to get — souccess or failure.

Perhaps we relied mistakenly upon growth to naturally percolate equitably downward as equally mistakenly we relied upon any management to produce any results we desired, so long as we gave the managers the required resources. Let me look at it from another angle.

It was the experience of the developed countries, and so it must be ours, that the welfare states became freed of poverty through the triple process of sustained political and legislative pressure on inequalities, a professionalisation of management, and technological innovation. In the Europe of 1930s, when it opposed mechanisation and rationalisation, it had many millions unemployed. Fifty years later, with a population fifty per cent higher, through heavy taxation on income, wealth and inheritance, and with automation, it has created welfare undreamed of fifty years ago; and it has to rely upon millions of imported labour and as many millions and more of exported jobs. All this has been achieved through a realisation that removal of poverty is both a political and a managerial function.

So with us, we need the basic political decisions, clear-cut and firm, on the format of growth and the pattern of distribution of its fruit, leaving the managers to the management of the production apparatus that ensures these fruits. What to produce, who will produce it, how much will be produced are all political decisions; but from then on the manager has to be entrusted to devote his managerial skills unfettered to the management of growth.

unique stability

Our society has shown how much it values its political set-up by the very expression of its faith in the political system, which it has preserved intact in face of much cynicism abroad and some very deep problems and setbacks at home. And the system in turn has served the society well, as the events of last year have shown. It has shown a stability unique in the developing world of South America to South-East Asia, the envy of it all. To maintain political stability with the many currents and cross-currents and different streams maintained, is a great achievement, but it can only be the first step — means to an end. The end is human welfare.

All societies have aspirations, a developing society needs perforce to aspire more, and if it is a domocracy it will aspire loudly. Society's leadership has to listen and interpret those aspirations; but when a society is both as poor and as democratic as ours the aspirations will be doubly strident. People need a lot and they have waited long; and added to it is the complication that they have but little capacity to sacrifice much because they do not have much to sacrifice. They can only receive; they have nothing to give, except honest effort. All this makes the task of growth much harder and the need for surpluses the greater, the more urgent.

Leadership decisions, therefore, are harder; to persuade the needy to accept less for a while, and the non-needy not only not to ask for more but to accept increasingly less in absolute terms. But this can at best only work for a while and will only be acceptable if there is simultaneously visible, substantial and rapid growth, within whatever parameters are decided upon. Once leadership makes its political choices it ought to entrust the task to the managers provided of course it is satisfied that the managers are capable.

best achievement

Let me now look at our managers. Professional management is one of our best achievements in the last twenty-five years. More than physical resources does a developing society need a well trained management, and we are fortunate in possessing it amply. The roots of our professional management are historically both old and interesting. On the one side it goes back to our joint family system where each family was headed by a legal entity, the karta, "the one who does" who arranged its affairs and could commit its members to the legitimate transaction he made on their behalf. In trading families he was also the head of the entire business. His authority was exercised in both personal and business matters and they all consulted him about their several and joint affairs.

The karta usually acted in consultation with the adult male member of the family, and usually the mother also. Living jointly it was both practical and essential to decide by consensus and agreement, and if he was sensible he would no more ride roughshod over them than a good chairman of the board. There could be, and sometimes was, a rebellion and the family members could go to the 'panchayat' the council of elders. Even today this traditional pattern of the family council endures in many traditional families and certainly the spirit of it dies hard. Its influence upon our management style has been considerable.

Indian business, first trade and then industry, has mostly stayed at the family level. The managing agents and the business families are the endogamous groups of inter-married wealth that tends to remain centripetal. Father, chairman; sons directors; often the wives and daughters too; nephews and relatives and men of the same caste still form the control group in most business, big or small. Decision follows the hierarchical pattern, and both policy and its administration are highly contralised. Professional management with them is of recent origin and peripheral still in its influence, and often only a sign of a family running out of sons and nephews.

gradual refinement

The other stream was the factors and collectors of the East India Company, and its successors the managing agency houses. Beginning as traders of fortune, with values of the times, they were nevertheless the earliest professional managers. They worked on trust, delegation and complete initiative, in some ways as complete as we read in management textbooks today, but seldom practised. A year's journey away from headquarters they had to act first and consult later. Climate, disease and drink took many of them away before they could receive fresh instructions. It was management in the raw, but for its times it did its job well. The skills became more refined gradually and the managing agencies became quite sophisticated, professionally managed concerns, the precursors of the modern holding companies groups. They combined into conglomerate industrial and trading companies of disparate skills, with always available at the centre skills in different disciplines of finance, marketing, law, technology, coordination etc.

From the international managing agency houses, mainly British, and their successors, the (India) Limited Companies that once sold through Indian ports town agents and later decided to manufacture in India, came the first crop of Indian professional managers. A phenomenon, Indianisation, that had begun with ICS and other service in the 1860s and in the army in the 1920s, was accepted by British business in the 1930s, first as a concession to influence and national sentiment, and later, during the war, through sheer necessity.

In time Indian Industry too loosened

the family grip, but what happened in the West in 1920s and in the foreign business in India in the 1960s, may not happen in Indian business till the 1980s, namely, the appointment of professional menagers at the top. While most chairman of foreign companies are today Indians, nearly all chairmen of large Indian companies still carry the name of the companies they head. Management by chromosomes is still their corporate creed.

I have spoken about our managers, their contribution and their origin, may I now turn to their commitment.

a new discipline

A professional manager today usually comes from a discipline; in fact management education itself is becoming a discipline. Many technologists, lawyers, economists, accountants will today go to a business school to learn management. Even though management is not a formal profession, where entry and practice are formally controlled, the contributing disciplines do create out of a manager a professional. There is a growing number of them in India, whose assets are their skills and not ownership, and their pride the exercise of those skills. They possess a new set of values and standards.

There is an important feature of professional managers however which is a source of concern to the profession, and that is about their commitment. A surgeon's commitment is to the science of surgery and not to the hospital or to its governing board. He will perform his operation with care and attention, no matter who the patient is. And yet a manager in the non-professionally managed concerns is expected to be committed to a system and belief. A private sector ownership would expect a manager to believe in free enterprise; and public sector ownership will assume that he does not believe in state enterprise, if he has been trained in private industry. We do not think this of a surgeon, whether he was trained in a private or a state hospital.

A belief has grown, strangely irrational though it is, among owners of both sectors, private and public, that you cannot believe in one if you have worked in the other. That you are a committed manager is not appreciated. This interesting delusion goes further. If you are of one you can only be profit-motivated; and if of the other, only socially oriented; as if the two, profit and social good, are mutually exclusive, as if without surplus you

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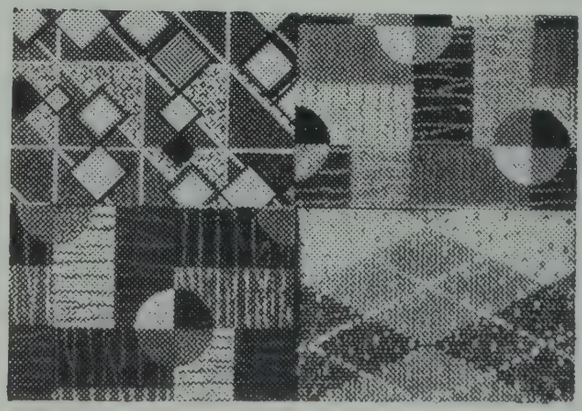
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can create growth, without growth remove poverty, and without a social objective achieve social good.

A manager, if he is honest and has professional values, will operate loyally within parameters decided by the society. His is not to question why but to ooptimise the results through a minimal use of inputs and maximal output. The society today has its planning and control mechanism to determine the parameters. We do not look to a surgeon for his commitments of our own determining, and if that was a criterion we might end up with a surgeon better committed than he is a surgeon. Sad to say, I have met managers on whom a so-called commitment sat better than their skills.

I recall some years ago one of India's big owners sent word to me, when he had read about a talk I had given doubting the validity of family management and the standards of some private enterprise, that I was undermining the very system of private enterprise. Equally do I recall receiving an opposite but equally incorrect judgement from public sector ownership. Like professional soldiers, let us judge our professional managers not by our beliefs but by their skills, and devotion to their profession. We want sincere, honest, skilled men devoted and committed to the profession, to the needs of our society and its values, and not just to us. I have seen some very fine men in the public sector upon whom our free enterprisers have poured scorn; and equally the other way.

state of becoming

It was well said that a society is always in the state of becoming, it never becomes. Similarly a society which is striving and dynamic will also have its conflicts. A society become, with no conflicts, would be on the doorstep of death. It is to me a good sign therefore that our new breed of professional managers have their conflicts with the society and its leadership though we have to be sure that such conflicts are healthy and not morbid, and that they are constructively resolved.

We have thus a somewhat cenfused approach in the society to our professional managers. While they alone can in the long run produce the goods we need to raise the consumption standards of the poorest sections of the population, our attitude to the managers is generally unencouraging. We need them and yet we seem to have no need of them. It is significant, for instance, that one sees a better equation between some leaders and private ownership then between either of them and the managers. Unless we change this ambivalence, there is a possibility of our encouraging a new kind of brain drain. Remote as such a possibility may be, we cannot rule it out.

The developed world will be increasingly run short of managers, and our Indian managers, given the sort of encouagement that the developed societies have given to our scientists, might well be tempted away, like our scientists. The argument that many of our scientists had specialised in areas that were far ahead of our contemporary needs will at least not apply to our managers. If we have not valued our scientists in the past, we should not spurn our managers in the future. Let us value our managers and resolve their conflicts and get the best out of them.

travelling by horse

We ask them to run large corporations, with the latest in design and equipment, of modern, international sophistication, and yet we ask them to conform to a century old system of controls. Let me give an amusing example of flying a thousand miles to an institution of excellence, to give a three-quarter hour talk, and having to sign a statement, running into several closely printed long pages, signing sometimes twice on the same page, that asked for a wealth of information, including — had I travelled by a horse ! And this when we can win a war with our own modern jets and tanks. On paper at least the horse endured the ravages of time; and even if field cavalry had forgotten it, not so field accounts.

We want merit, fairness, and justice, in operations and recruitment, but expect family, caste and parochial considerations to prevail in contracting, ordering, recruiting. Our definition of nepotism is still the irrefutable rationale put to me many years ago, "Who else can I trust more then my sons, kith and kin; surely not strangers?" A good old business tradition, but one that should have only a limited application today, if any at all, in modern industry. Merit too is often qualified by seniority, whose deadening hand has the imperimatur of our judiciary, and understandably so if such be approved by the Rule. Even where added to seniority, merit is examined in the negative sense of seniority plus no demerit. All this has its impact on our decision-making too because it can burden it with considerations extraneous to the merit of the case.

While I have talked about the conflicts of the managers more at the top levels, I should add a word about the lower and middle levels, where frustrations of another kind can arise by the fact that they are expected even more to attempt things in a con'ext other than the purposive attention to efficient management. In short, management at all levels is made to feel that even within the areas where it alone is made responsible for implementation, whether in public or private ownership, the degree of trust that goes with it is incommensurate with what is needed to get the best results. Results would improve if the managers could be given their goals more clearly and so long as they pursue them competently, there should be no alternative pressing on the accelerator and the brakes. It might even be necessary to define such goals in writing so that there is no trimming of sails as winds turn.

To sum up, our struggle has two aspects, the social and the economic. While they go together, we have to remain quite clear about our responsibilities in regard to each. The leaders and planners have to give shape to the society and its economy, and the managers left to give it the production content within laid down socio-economic parameters — to create the growth. The managers must be true professionals, dedicated to their task, committed to the goals, determined to achieve them, with speed and efficiency, always sensitive to the needs of the society.

instruments of change

The new shape we are creating for the society will call for great change, which will create tensions and conflicts. If we want the managers to be our instruments of change then we must not, at least not deliberately or because it suits our interests, expose them unnecessarily to the impact of these conflicts. If we cannot protect them — and this in the turmoil of fast change would be understandable — we should at least not make them vulnerable. They will need instead our trust and care, making sure that we select them for their skills and not amenableness.. Amenable managers are of no more use than amenable soldiers or administrators. They can let us down with a gummed up production apparatus.

I end with a plea for our professional managers of India, whose number is small, their contribution big, and our need of them great. They are a real asset. the envy of the developing world, able to hold their own by any world standards. By encouraging them and through their devotion alone will we get the results we want and must have if poverty is ever to be removed.

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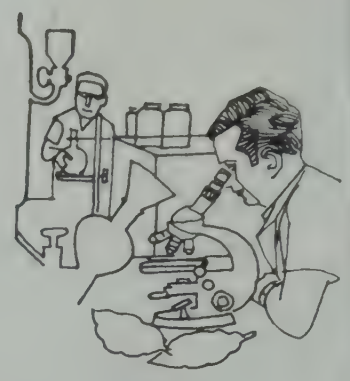
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As the six become nine

E. B. Brook
Vienna.

NOW THAT less than two months remain before west Europe expands itself economically from an aggressively trading group of six states to one of nine it is as well to see what some of its major components look like at the present time and a few of the presumable prospects.

No one can deny that Europe from the northern half of France through the Low Countries of Belgium and Holland and the Rhineland and north-west Germany has for centuries been the prosperous economic core of Europe. Britain since the 16th century has looked increasingly far overseases and has competed with its European neighbours not so much in their home markets as in other continents. Spain ceased to be economically significant three centuries ago and east Europe —to some extent the Denubian area also— tended to be worlds to themselves with interests pointing largely south-eastwards.

WINDOW ON THE WORLD

Similarly, it is only slowly in the last hundred years that Scandinavia has become an area of remark.

This means that the present Common Market area, with the exception of Italy, a country that assembled itself from a miscellanies of states a century ago, has always been the economic core of west Europe and that, in this sense, it is nothing particularly new. What is new is the organisation, the centralisation and its bureaucratic control of as essentially continental character.

To this are now being added three countries — two, Denmark and Ireland, with generally weak economies — with very different systems and very different histories and institutions. Had the Market of the Six added to itself such states as Spain, Portugal, Austria or even constitutionally-neutral Switzerland it would not be taking to itself entities so utterly foreign in method to its own essence as in the Anglo-Saxon cum Irish cum Danish addendum. It may not always be realised in other parts of the world that, generally speaking, continental Europeans are unfamiliar with any of the new systems that have been accepted as new members. Herr Willy Brandt is the first German Chancellor to know anything at first hand about the Anglo-Saxon peoples or about the Danes.

For this and other reasons what is approaching in Europe is a mixture of very different ideas in which some who think they lead the world in democracy and popular control may find they are, in fact, remarkably old-fashioned. In particular, the French and the British may very well be found to be a long way distant from the Dutch, Belgians and Germans and probably the Danes in their ideas about how much the peoples who will be affected by the expanded Market decisions should be asked their opinion. It is significant that, of the three new members, the Danes and the Irish were asked their opinions, which were binding on their governments, and the British were not asked at all—a point on which there is not a little resentment in Britain.

The trades unions of the expanded Market's members, also, will find the British and the Irish far behind times in many of their ideas. The continental unions are really socialist—the British even hesitate to call themselves socialist, preferring the less aggressive and less ambitious title of Labour. The German unions, which were mistakenly regarded formerly as quietly conformist, are very much more a power in the land than those of the UK, having representation on the boards of all major undertakings. In Austria, also, there is a move to have more intimate union association in undertakings' direction and in all the German lands there is far more government in politics and industry by consensus than there is in the British Isles. The French unions are badly split between Socialists, Communists and Catholics and, for this reason have so far been less effective than their German contemporaries, but the elections in France next year appear likely to see a much closer coming-together by union and socialist forces which could form a direct challenge to the power of the Patronat which at present controls French industry and, to some extent, the direction of the Common Market.

sorting out ideas

There is much to be done in working out, inevitably gradually, some congruity in policy between the expanded Market's members on such subjects as industry's relations with trades unions, on similarity in terms of employment, security of tenure and retirement benefits between the Market countries; not less the new centralised Patent Office in Munich, which will put many national patent offices almost out of work, will have problems in sorting out national ideas on industrial and mechanical security and quality.

It is unfortunate that all this is having to be undertaken at a time when every State is seriously worried by the apparently undefeatable inflation which steadily sends up prices and reduces the value of currencies. Britain, from the continental viewpoint, is, with its unresolved industrial disputes, the confrontation on the subject of authority between the unions, the law and the government and with a steadily failing pound sterling a large but sick new associate which many eye askance. It is not without significance that, at the Luxemburg meetings this week, it was the central banks of Germany and France that took the lead in trying to control inflation by raising their key lending rates. This was a mild first step to curb the money supply and stem the rise in prices but it leads to anticipation of more and increasingly stringent measures, probably in the near future unless inflation is to be allowed to gallop away almost uncontrollably. The probability is that there will be further tightening on credits before very long, a fact that may drive some to

bankruptcy but is essential to lay the foundation for a new price stability.

The bankers' problem is to avoid checking the rate of trading while trying to check the rate of spending. In this, the French have been the most realistic during the past year—in France the commercial banks have been refinancing their needs on the money markets where the administered rates have been kept below the official discount rate. The most encouraging feature at present is that Germany, at least, appears to have succeeded in thwarting inflows of foreign —largely American—money and thus reducing the excessive presure on its own liquidity and contributing to renewing the strength of the US dollar.

The Common Market is anxious also to take no excessively stringent measures that will or could weaken the Common Market's position in next year's world trade negotiations. Its problem, especially at the present time, when retail food prices, those which do the most damage, are moving up by from 5 to 10 per cent, is to be able to get rid of inflation without some real, strong discipline. This discipline is very difficult, if not impossible, to obtain in an essentially market system which appears to be increasingly subject to political and social pressures.

Europe is making up its mind that it is going to have to live with an inflation of six or more per cent for an impredictably long time while the French fight with determination to retain all the benefits of the Common Market's common agricultural policy, the British seek help for their many industrially distressed areas and the Germans hold on to their purpose of maintaining expanding commercial prosperity while having to spend far more generously than they like to share their Market partners' burdens.

Ethiopia : miles to go

Hardev Singh

ETHIOPIA IS a tradition-bound country. This quality of life which has given its people over 3,000 years of peace and order and tranquility, disturbed only by Mussolini's fascist aggression or the occasional ambitions of local chieftains, has also made its socio-economic structure resistant to rapid change. Emperor Haile Selassie, who is the architect of various administrative and educational reforms, has therefore tended to move with considerable caution. The result naturally has been that the country is slow to accept new ideas.

Ethiopia's 90 per cent population lives on agriculture and in this field the mode of production is essentially traditional. A considerable effort, however, is being made to improve the methods of cultivation through demonstration projects. The third five-year Plan (1968-69 to 1972-73) his adopted the package project approach for this purpose. The projects were relatively self-contained units requiring efforts in the fields of research, material inputs, credit, marketing, road-building and water supply in carefully defined areas.

profitable innovation

One package project, the Chilalo Agricultural Development Unit, has been in operation for almost four years and has succeeded in introducing profitable innovations. This project is a joint venture of Ethiopia and Sweden and has helped in the development of farming. Another project, the Wolmo Agricultural Development Unit, was started in 1969, Yet another is the Awash Valley Authority, where the UNDP and the FAO have joined in harnessing the Awash river and its 14 tributeries for irrigation and power. This project has helped in the production of sugarcane which has made Ethiopia self-sufficient in sugar. In fact a quarter of the cotton consumed in the textile industry is also grown in this valley. Fruits, vegetables and tobacco are also being cultivated and agricultural output is being diversified.

cereal crops

The main cereal crops in the country are wheat, maize, and barley. The country also produces sugarcane, sweet potatoes, beans and pulses. Among oil seeds, important are nigerseed and linseed. Ethiopia's slow but sure advance in agriculture is reflected in the area under cultivation, which has increased gradually in recent years. For instance under wheat it was around 425,000 hectares in 1950 and is now beyond a million hectares. Output of wheat has nearly doubled between 1950 and now. Area under maize cultivation similarly increased from 213,000 hectares in 1950 to 810,000 hectares at present. Production of maize also increased several fold from 100,000 tonnes in 1950 to nearly 1.6 million tonnes now.

In case of millets and sorghum, however, the increase in area under cultivation was rather modest. In 1950 it was 3.4 million hectares and was a little more than 3.6 million hectares last year. Output of millets and sorghum increased from 1.73 million tonnes in 1950 to 2.5 million tonnes now. An important development during recent years has been a shift in the pattern of cereal consumption in favour of sophisticated grains such as wheat and maize.

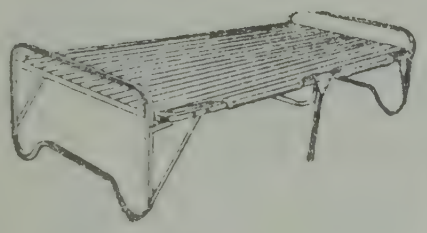
Pilot settlement schemes have been started in order to encourage nomadic pastoral owners to become commercial stock breeders. Ethiopia has a substantial population of livestock in terms of sheep, goats and cattle for milk and this important source has not yet been exploited to the country's full advantage. The country, however, has a well-developed poultry industry.

Ethiopia is presently taking steps to improve land relations and in this direction Sweden has been one of the champions



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of this cause. The latter country felt that assistance in the field of agriculture could be more effective if the land relations were improved in favour of tenants. Until four years ago Sweden offered assistance to the extent of nearly 20 per cent of the total foreign aid received by Ethiopia; this share has fallen considerably now. In fact in an agreement signed in September, 1967 for the Chilalo Agricultural Development Unit, the Ethiopian government undertook to carry out land reform measures by the end of 1970. As this could not be accomplished, Sweden extended the period for carrying out reforms to December, 1972. In this context Sweden has come under fire in the Ethiopian Lower House for interference in the internal affairs of the country. But Sweden insists that Chilalo project, on which one milion pound have been spent already, might be meaningless without reforms and might, therefore, be terminated.

Ethiopia is trying hard to improve communications. Even today the average Ethiopian lives several miles from any road. At the moment Ethiopia has around 8,000 Km of all-weather roads out of which only one-third are bitumanised. Apart from this there are 17,000 Km of second class roads and 20,000 Km of communication lines which are more or less trails. The latter two categories are not in use during the wet season.

road development

Even these few roads have helped Ethiopia to a fair extent in the sense that the time taken by a truck between Addis Ababa and the Red Sea port and Assab has been reduced to one half. Similarly the road between Addis Ababa and Asmara has cut the truck time by five days to three. Transport time from Addis Ababa to Debra Marcas has been reduced from one week to a single day.

The government's capital expenditure programme includes the building of a network of roads to connect the country to remote areas and in this context communications to the west and south-west remain most difficult. High rainfall and long river beds make road construction in this area costly. Reference must be made here to the Rs 60 crores, interest-free loan offered by China for rural road development. In the current plan the Imperial Highway Authority proposes to construct 5,505 Km of roads of which about 700 Km will be primary roads, about 400 Km secondary roads and 1500 Km of feeder roads.

The need for an improved infrastructure for the growth of industry has been voiced now and again. The progress in industry has been quite noticeable during the last few years but still industry contributes a small percentage to the national income. By and large it is concentrated in the areas around Addis Ababa and Asmara. Ethiopia had plans to survey exploitable minerals. So far gold has been the only mineral of importance. The Japanese have succeeded in locating deposits of potash, copper and zinc. Prospects of hydro-electricity in Ethiopia were also considered bright by Dr K.L.Rao, the union Minister for Irrigation and Power, who visited Ethiopia some time back. In fact, Dr Rao predicted that apart from generating electricity, waters of Ethiopia's rivers could change the face of its economy.

An interesting explanation given by an Ethiopian for its comparative economic backwardness in spite of a smooth government for the last several centuries is that the country was never really colonised by a western power. The Ethiopians say that former colonies have special relations with the former colonial powers. These colonies are now reaping the gains of a modern administrative system, large scale agricultural development, advanced level of infrastructure and big investment in industries.

Ethiopia has been quite keen on inviting private foreign investment. During the recent visit to Ethiopia, President V.V. Giri promised the Emperor that technical assistance and collaboration in industrial ventures, crucial for Ethipia's development, would be forthcoming. At present, however, there is only one Indian joint venture, the Indo-Ethiopian Textile Mills, a collaboration between the Birlas and the Ethiopian government. This composite unit started its operations in 1960, and is fitted with the most modern automatic looms and spindles and calendering, dyeing and bleaching equipment. The unit started with nearly 1,000 workers who, without a single exception, were quite raw and were soon trained to achieve the requisite standard of efficiency in various specialities.

In order to attract private capital, the Ethiopian government has framed rules to suit foreign investors. Special concessions are offered to approved new enterprises financed by domestic or foreign capital. These concessions include exemption from taxes for a period of five years, admission of all imports of machinery free of duty, and a guarantee of permission to foreign investors to remit abroad earned profits after taxation. In the event of liquidation, the transfer of the entire imported capital and reinvested profits is permitted in any currency. Transfers of emigrants' allowances, legacies, and savings of foreign employees upon retirement are permitted up to the equivalent of Eth. $70,000 in foreign currency. Sums in excess of this amount are authorised up to a total of Eth. $70,000 in any subsequent 12-month period. Authorized banks are freely allowed to place their funds abroad, except on fixed-term deposit.

It may be added that it is this gradual capital inflow along with earnings from tourism that wipe out the deficit in trade and even result in a small surplus in balance of payments. The country relies heavily on exports of agricultural products particularly coffee — the largest foreign exchange earner—which is sold mostly to the US. A hunt for mineral deposits has been instituted recently. It has yielded some results. If successful, it should help diversify Ethiopia's exports and improve its balance of trade.

Eastern Economist 25 Years Ago

NOVEMBER 21, 1947

The main outlines of the existing price situation, as stated in last week's article, have received confirmation in the report of the Commodities Prices Board on the prices of rabi grains and pulses, which has been recently released. This report is not confined merely to the narrow problem of the level of some particular prices. The Board has recommended that Government should begin operating on the internal price level as soon as possible, so that Indian prices will be brought into relation with external prices within two or three years. What are the essentials of a price policy which will secure something like this result ?

This question leads to another. How far is ours merely a monetary problem ? The existing situation is somewhat out of the ordinary. Notes in circulation have steadily declined. Scheduled banks' returns show that bills discounted have been consistently lower than in corresponding weeks last year.



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MOVING FINGER

President Nixon has won

pants down—and everyman and his wife must keep their fingers crossed. Mr Nixon is a small man, but the United States is a global power. This is a heart-breaking combination. Four more years of "Nixonics"—whether it is Nixon politics or Nixon economics—may well be more than what this tortured century can bear. Interestingly enough, now, for the first time in his life, Mr Nixon will not have to be thinking of another election to be won, for the US constitution mercifully limits White House tenancies to two four-year terms. Will the thought that he has nowhere further to go make him a more decent man with some appreciation of human values? Or, will his hyena-instincts prevail still despite all the destruction of man or nature which he has caused in many lands of Asia?

Let me quote here Peter Jenkins writing in *The Guardian* of November 3:

"Only a stroke of divine providence or a devilish curse upon all opinion polls now can save the United States and the world from four more years of President Nixon. Mr Nixon succeeds by bringing out the worst in people and the margin of his re-election on Tuesday will be the measure of his success.....

"....An insecure nation frightened by war and crime and violence and hallucinatory abandon feels more secure under the firm hand of a mean man. The psychologist Erich Fromm observed the Germans electing Hitler and called the phenomenon the 'flight from freedom.' I am not going so far as to compare Mr Nixon with Hitler. However, I do seriously contend that his re-election should be viewed with repugnance and deep foreboding. His record over four years ought to be sufficient warning of the evil he could accomplish in four more years....

"His manipulation of fear and greed, no less brilliant in execution than his diplomacy with China and Russia, has eroded basic freedoms and dignities which if not preserved in the US may not for long survive in lesser corners of the world.....The after-spasms of the Vietnam war have yet to be experienced, and nobody could be less equipped than President Nixon to nurse his country through a period in which qualities of humanity, gentleness and understanding will be at a premium....

"With luck the US will survive another four years under Mr Nixon's malevolent sway and then find a President who can bring some inspiration of humanity, decency, and understanding to his difficult task. George McGovern is a ten times better man than Richard Nixon and let him be remembered when the stains of Nixon's presidency have been scrubbed out from the American heritage."

I must add perhaps that, besides sharing with Mr Peter Jenkins the sentiments he has expressed about Mr Nixon, I believe that, in essentially ethical terms, the Indira Gandhi phase in government and public life in our country has been and is no better. In both cases a nation's sense of mission has been devalued down to the small coin of personalized power politics on an amoral plane.

I turn to 'The Guardian'

again, this time to a despatch dated November 2 from its correspondent in New Delhi, Mr Walter Schwarz:

"The first all-Indian car is being unveiled tomorrow at the third Asian international trade fair, Asia '72. Its designer and producer is Mrs Gandhi's son, Sanjay....He was not put out when I sat in the car, pressed the clutch, and felt it go limp as the linkage broke.... From tomorrow the car will be safe on a revolving platform and nobody will be able to sit in it."

In fairness to all concerned I must say that Mr Schwarz is not very complimentary either to Indian cars which are already on the road. After pointing out that the import of cars is forbidden, he says:

"There is only the choice of three shoddily produced, overpriced models made here under licence. The least unpopular is a lumbering version of a long-forgotten Morris Oxford called the Ambassador. There is also a local Fiat and a Triumph Herald."

Reverting to Mr Sanjay Gandhi, Mr Schwarz writes:

"Now the PM's son has got his licence to build a cheap car, if not exactly a 'people's car.' And he is free enterprise, at a time when the private sector is in worse odour than usual in Mrs Gandhi's Left-leaning cabinet. Naturally Delhi is thick with catty remarks about this new 'VVIP' as an opposition newspaper called it. Mr Gandhi is not on the defensive. 'People would talk like that whatever I did.' (Not quite true, since his elder brother is a pilot with Indian Airlines and nobody makes catty remarks about him)".

A leading firm of local

jewellers (a relatively recent import from Bombay) has proudly announced in the newspapers its recent elevation to the stutus of "Jewellers and Silversmiths. By Appointment to the President of India." Surely the Head of State of a country, the people of which are supposed to have voted massively in favour of socialism and the government of which claims to have pledged itself to a battle against inequality and a war on poverty, should have had second thoughts before bestowing at this time of the day, on one of the most luxurious of the luxury trade the patronage that goes with the name of his office. Some time ago, the government of the day even took legal steps to discourage or penalize the possession of gold or jewellery and whatever might have been the success or failure of this move, the government is still officially committed to a policy of stepping hard on ostentatious living or conspicuous consumption. The Prime Minister, at any rate, does not wear jewellery, at least within this country in public. The President's wife is of course far less circumspect. It can be presumed, therefore, that jewellers and silversmiths are dear to her heart. Even so, it is singularly inappropriate for Rashtrapati Bhavan to play this "By Appointment" racket with the gold-and-diamonds trade.

Poonen Abraham who so

tragically lost his life some days ago in a freak traffic accident was a journalists' journalist. Difficult perhaps to get close to, he was easy to admire and respect. He had a way of holding people at arm's length which was a delight to watch. There was, for instance, Mr Durga Das, throwing his weight about in *The Hindustan Times* and making assistant editors fetch and carry for him. Among the few who would have known of it was Abraham. Then there was a story told of how the late Devadas Gandhi tried to talk him into tutoring his (Devadas Gandhi's) daughter in English in his spare time—and there never was a more persistent man than Devadas Gandhi. Even he, however, got little change out of Abraham on this occasion. The point is that Abraham would never set a low price on himself and he saw to it that others did not either. With journalism and journalists generally being what they are now, the value of Abraham and his like to the profession cannot be overestimated.

VB

TRADE WINDS

External Assistance

FOREIGN AID agreements signed during the half year 1972-73 (April-September 1972) amounted to $311.75 million (Rs 227.26 crores). Of this project aid was $145.00 million (Rs 105.70 crores) and non-project aid was $166.80 million (Rs 121.56 crores).

Country-wise details of the aid agreements signed during April to September 1972 are as follows:

($ million)

Name of the Country/Institution	Project Aid	Non Project Aid
1. Canada	—	46.90
2. France	18.85	18.15
3. Denmark	—	5.70
4. Netherlands	—	21.00
5. USA (Exim Bank)	21.95	..
6. IDA	104.20	75.00
Total	145.00	165.75
Rupees crores	105.70	121.56

India also received the grant-in-aid of $22.65 million (Rs 16.51 crores) from the following countries:

	$ million
1. Canada	
1. Canadian grant for skim milk powder	1.85
2. Canadian grant for rapeseed	10.20
2. Sweden	
1. Population Project (Joint financing with IDA.)	10.60
Total	22.65
Rupees crores	16.51

Assistance from Britain

Agreements for two loans allocating a total of nearly Rs 78 crores (£ 41 million) of British aid to India were signed recently. The British Minister for Overseas Development, Mr Richard Wood, who visited India for the meeting of the Consultative Committee of the Colombo Plan, signed the agreements on behalf of the British government, and Mr K.R. Ganesh, Minister of Revenue and Expenditure, signed for the government of India. The first loan (the UK/India Maintenance Loan 1972) is for Rs 47.72 crores (£25 million), covering the import from Britain of non-project goods. Among these are raw materials, spare parts and components required to service India's agricultural and industrial production. The second loan (the UK/India Mixed Project Loan 1972) is for Rs 30.35 crores (£ 16 million). It will finance the import from Britain of goods and services required for certain large projects agreed by the two governments. This loan is a part of the project aid totalling £72 million (over Rs 136 crores) which the British government indicated it would commit to India in the four financial years 1970-71 to 1973-74.

Projects which have already been agreed by the British and Indian governments include three fertiliser plants at present under construction. They are of the Indian Farmers Fertiliser Co-operative at Kandla and Kalol in Gujarat, the Southern Petrochemical Industries Corporation at Tuticorin in Tamil Nadu and Mangalore Chemicals and Fertilisers at Mangalore in Mysore. Other projects under implementation include the construction in Britain of three bulk carriers for the Shipping Corporation of India and the Scindia Steam Navigation and a mixed products tanker for the Great Eastern Shipping Corporation, the naphtha cracker plant of the Indian Petrochemicals Ltd in Gujarat, and components for three 120 MW boilers to be built by AVB Boilers, Durgapur, for the Damodar Valley Corporation and the Madhya Pradesh Electricity Board. These two loans transform into firm aid commitments the major part of the pledge made at the Aid India Consortium meeting earlier this year by the British government to allocate Rs 119.498 crores (£63 million) of fresh aid to India in the financial year 1972-73. Further loans are under negotiation and will be finalised shortly. All these loans are on the soft terms of British lending to India. They are interest-free and are to be repaid over 25 years with an initial grace period of seven years.

Defence Deposit Certificates

The union government has decided that holders of 10-year 4 1/2 per cent Defence Deposit Certificates issued by the union Finance Ministry on November 1, 1962 may be allowed to retain their holdings for a period of five years after they mature for payment. Interest at the rate of 5 per cent per annum (simple) will be payable on these certificates for each completed period of six months after maturity at the time the certificates are presented for encashment. As in the case of the annual interest on these certificates, the postmaturity interest will also not be liable to income-tax and will also not be taken into account in calculating the total income for the purposes of income-tax.

Fourth Plan Shipping Targets

The fourth five-year Plan shipping target of four million GRT of which 3.5 million GRT is to be operative and 500,000 GRT on order is likely to be achieved. In October this year, the operative shipping tonnage was nearly 2.59 million GRT with 1.50 million GRT firmly on order. Allowing for an estimated scrapping of 218,000 GRT, orders for about 133,000 GRT would have to be placed for achieving the fourth Plan targets. During October, the purchase of two second hand ships of a total of 26,000 GRT have already been approved. Thus, orders have to be placed only for about 113,000 lakh GRT to fulfil the target of four million GRT.

Instead of 3.5 million GRT in operation, however, only about three million GRT may be operative under the fourth Plan. To achieve the operative tonnage, orders may have to be placed for purchases of second-hand ships or resale contracts for new ships.

Vanaspati Prices

In view of the further increase in groundnut oil prices during recent weeks, the prices of vanaspati have been increased by 10 paise per kilogram in all the zones, with immediate effect. The maximum retail prices of vanaspati in different pack-sizes and when sold loose, exclusive of sales-tax and other local taxes are given below:

In Tin Containers

(in Rs)

Zone	16.5 kg	4.0 kg	2.0 kg	Loose per kg
North	96.15	25.38	13.20	5.81
North (J & K, HP and hilly areas of UP)	98.64	25.99	13.50	5.96
South	93.43	24.72	12.87	5.64
East	96.54	25.48	13.24	5.83
East (North-eastern region)	98.39	25.93	13.47	5.94
West	94.97	25.10	13.05	5.74

Sugar Prices

The union government has notified on November 7, 1972 the Sugar (Price Determination for 1972-73 production) Order, 1972 fixing the ex-factory prices (exclusive of excise duty) payable for different grades of sugar produced during 1972-73 by vacuum pan sugar factories in different zones. These prices are payable for the sugar supplied by the factories under Clause 2 (1) of the Levy Sugar Supply (Control) Order, 1972. These prices will hold good till they are reviewed and revised if necessary, after the recommendations of the Tariff Commission are received and considered. Under this new Order, the weighted average of the notified prices for all India will be 20 paise per kilogram more than for the sugar of last year's production. Out of this, 14 paise per kilogram is relatable to the higher minimum price of sugarcane notified for this year, and the remaining six paise increase is on account of the recently announced increase in the rates of minimum bonus from 4 per cent to 8 1/3 per cent, increase in bank lending rates, etc. The consequential revision of the uniform price of levy sugar to consumers is proposed to be made with effect from December 1, 1972 and it will be announced in due course.

Gujarat Aromatics

The Aromatics Project of the Gujarat Petrochemical Complex is expected to be commissioned in December 1972. The plant is rated to produce 24,000 tonnes of DMT, 21,000 tonnes of ortho-xylnes and 2,500 tonnes of mixed-xylenes. The commercial production of DMT, used in the manufacture of polyester fibre, is expected to be available to the consuming units from March 1973. Apart from the Aromatics Project of the Gujarat Petrochemicals Complex, the government is also considering the possible location of a second Aromatics Petrochemicals Complex in the country. A study group is, among other things, examining the availability and quality of feedstocks suitable for manufacture of aromatics at various refinery locations, and the logistics of supply of finished aromatics from the possible locations to major consuming areas.

Hindustan Insecticides

The union Minister for Law & Justice and Petroleum & Chemicals, received recently from the Chairman, Hindustan Insecticides Limited, a cheque of Rs10.03 lakhs, representing the dividend declared by this public sector undertaking for the financial year 1971-72. The Hindustan Insecticides Limited, which earned during the year the highest ever net profit of Rs.41.48 lakhs, declared the dividend at eight per cent on its paid-up capital as against seven per cent declared during 1970-71. With the amount presented to the Minister, the undertaking has paid to the government a sum of Rs 73.93 lakhs by way of divi dends since 1962-63 when ithad first declared any dividend. The two plants of the HIL at Delhi and Alwaye (Kerala) have over the years constantly improved their production and sales performance. The sales turn-over of the Company for the year 1971-72 was Rs 396 lakhs, representing an increase of about 36 per cent over the previous years.

Tourism Development Corporation

The projects completed by India Tourism Development Corporation (ITDC) in 1972 have ranged from Srinagar in Kashmir to Kovalam in Kerala — part of the corporation's efforts to gear infrastructure to the target of 800,000 tourist arrivals by 1978. The achievements of ITDC in 1972 include the luxurious new Akbar Hotel in Delhi and Kovalam Grove, a beach village near Trivandrum, which will welcome its first visitors within the next fortnight. The current year also saw the addition of nearly 400 rooms to the Corporation's accommodation chain. This raises the total ITDC accommodation to almost 1,800 rooms (15 per cent of total hotel accommodation in India) spread throughout the country in nine hotels, three motels and 16 traveller's lodges. Over 1,000 of these rooms are in the economy categories.

Despite the impact of last year's events on tourist traffic to India, the corporation increased its sales turnover by a substantial 16 per cent, from Rs 565 lakhs in 1970-71 to Rs 665 lakhs in 1971-72. Profit before depreciation and tax was Rs 101.89 lakhs, nearly Rs 8 lakhs more than in 1971. During 1971-72, ITDC earned an estimated Rs 273 lakhs in foreign exchange.

The total capital expenditure of ITDC during the current Plan period is expected to reach over Rs 15 crores, against the initial Plan outlay of Rs 12.77 crores. The corporation will have generated Rs 4.34 crores in internal resources during the fourth Plan period. To help meet targeted tourist arrivals of 800,000 by 1978, ITDC is planning an addition of 3,000 rooms to its accommodation chain during the fifth Plan period. Particular attention is to be paid to development of beach, mountain and wildlife tourism in response to overseas demand.

Priorities are to be given to development of accommodation outside the luxury category for foreign and domestic tourists. Hotel, motel and travellers' lodges are envisaged at these destinations

Ex-factory Prices (Rupees per quintal) Grade-wise for ISS Grades (Exlusive of Excise Duty)

Area	A-30 B-30 C-30	D-30	E-30	A-29 B-29 C-29	D-29	E-29
Punjab	153.36	152.21	151.66	152.36	151.36	150.86
Haryana	152.26	151.11	150.56	151.26	150.26	149.76
Rajasthan	183.76	182.61	182.06	182.76	181.76	181.26
West UP	154.62	153.47	152.92	153.62	152.62	152.12
Central UP	155.39	154.24	153.69	154.39	153.39	152.89
East UP	159.41	158.26	157.71	158.41	157.41	156.91
North Bihar	168.85	167.70	167.15	167.85	166.85	166.35
South Bihar	176.45	175.30	174.75	175.45	174.45	173.95
Gujart	146.96	145.81	145.26	145.96	144.96	144.46
Madhya Pradesh	195.16	194.01	193.46	194.61	193.16	192.66
Maharashtra	145.94	144.79	144.24	144.94	143.94	143.44
Mysore	150.07	148.92	148 37	149.07	148.07	147.57
Andhra Pradesh	153.24	152.09	151.54	152.24	151.24	150.74
Tamil Nadu & Pondicherry	155.11	153.96	153.41	154.11	153.11	152.61
Assam, Orissa, West Bengal & Kerala	159.31	158.16	157.61	158.31	157.31	156.81

THIS IS ONLY AN ANNOUNCEMENT REGARDING ISSUE OF EQUITY SHARES ANI

PHILIPS INDIA LIA

(Incorporated under the Indian Companies Act, 1913). REGISTERED OFFICE: 7 JUSTICE CHANDRA MADHAB ROAD, CALCU

The existing equity shares of the Company are listed on the Calcutta Stock Exchange; an application for listing the shares now bein

Persons interested in full details may obtain copies of the Prospectus and Application Forms from the Managing Brokers, Brokers and Bankers to the Issue mentioned below.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON MONDAY, DECEMBER 4, 1972 AND CLOSE AT THE CLOSE OF BANKING HOURS ON WEDNESDAY, DECEMBER 13, 1972 OR EARLIER AT THE DISCRETION OF THE DIRECTORS BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON WEDNESDAY, DECEMBER 6, 1972.

SHARE CAPITAL

Authorised 1,00,00,000 equity shares of Rs 10 each	Rs 10,00,00,000
Issued, Subscribed and Fully Paid up 54,60,000 equity shares of Rs 10 each	Rs 5,46,00,000

PRESENT ISSUE

13,30,000 equity shares of Rs 10 each at a premium of Rs 15 per share	Rs 1,33,00,000

OUT OF THE PRESENT ISSUE

2,94,000 equity shares of Rs 10 each at a premium of Rs 15 per share will be issued and allotted for consideration other than cash, subject to approval of the Reserve Bank of India, to N.V. Philips' Gloeilampenfabrieken, Eindhoven, Holland, in conversion of their foreign currency loan to the Company	Rs 29,40,000
4,20,000 equity shares of Rs 10 each at a premium of Rs 15 per share have been offered for subscription in cash to those Members (resident in India) whose names are on the Register of Members of the Company at the close of business on September 27, 1972, in the proportion as nearly as circumstances admit of one equity share for every four existing equity shares held on that date (fractions if any of an equity share issuable on this basis being disregarded) provided that any equity shares not taken up by any of them will also be available for meeting applications from the public	Rs 42,00,000
92,400 equity shares of Rs 10 each at a premium of Rs 15 per share are reserved to be offered for subscription in cash to the whole time Indian Directors and Indian employees of the Company provided that any equity shares not taken up by any of them will also be available for meeting applications from the public	Rs 9,24,000

NOW OFFERED FOR PUBLIC SUBSCRIPTION IN CASH

5,23,600 equity shares of Rs 10 each at a premium of Rs 15 per share	Rs 52,36,000
TOTAL	Rs 1,33,00,000

TERMS OF PAYMENT

The entire amount of Rs 25 per share (Rs 10 on capital account and Rs 15 on premium account) is payable on application.

APPLICATION FOR SHARES

Applications must be made on the prescribed form only and strictly in accordance with the instructions contained in the form and will be liable to be rejected if not so made. Applications may be made only by residents in India and must be for a minimum of fifty equity shares or multiples thereof.

Applications should be in SINGLE names only and NOT in joint names. Applications in joint names and multiple applications by the same applicant are liable to be rejected.

BRIEF HISTORY AND DEVELOPMENT

The Company was incorporated on January 31, 1930 as a priva company and was converted into a public company on October 31, 1957.

In its early years the Company engaged itself in selling electric lamps, radios and other products manufactured by N. V. Philips' Gloeilampenfabrieken, Holland and their associates. In order to ensure its long-term interests and continued growth, the Company realised the need and importance of establishing loca production facilities for its range of products. Thus today the Company has in different parts of India seven modern and well-equipped factories and a strong marketing organisation. Integration of production processes and progressive import substitution aided by research and development have been the keynote of the Company's policy over the decades.

The Company's sales, profits before tax, profits after tax and dividend paid per equity share of Rs 10 for the last five years wi

Year	Sales	Profits Before tax (Rupees in Lakhs)	Profits After tax (Rupees in Lakhs)	Dividend per equity share of Rs 10 (Rupees)
1967	2340	450	158	1.90
1968	2655	486	192	2.00
1969	3021	530	221	2.30
1970	3768	673	270	2.00
1971	4656	1157	400	2.40

An interim dividend of Rs 1.20 per share for the year 1972 was declared by the Board of Directors on October 2, 1972.

The Company's growth can be attributed to its policy of selling quality products. Its products now include incandescent lamps, fluorescent lamps, starters and fluorescent powder for fluorescei lamps, burners for gaseous discharge lamps, tungsten and molybdenum wire and tungsten coils, glass shells and glass tubings for lamps, lighting fixtures, light-fitting accessories like ballasts, lamp holders, etc.; radio receivers both mains and transistor models, record players, a wide range of electronic components, electronic measuring apparatus, quality control equipment and scientific instruments, transreceivers, public address systems, communication systems, simultaneous inter-pretation systems, welding electrodes and medical systems.

The Company's products are in good demand and are sold throughout India to buyers both in public and private sectors. The Regional Offices of the Company are situated in Bombay, Calcutta, Madras and New Delhi. The Company has a network of dealers for the distribution of its products on a national basis and also a well organised service set up for rendering after-sales service.

The Company has over the past six years built up and develope markets in Europe, the Far East and the Middle East for many o its products. The Company's success in exporting sophisticated articles to advanced countries can be attributed to its ability to maintain international standards and to keep pace with mod technology and to the assistance it has received from its Parent Company, N. V. Philips' Gloeilampenfabrieken, Holland.

The Company has recently submitted to the Government of Ind at their request a comprehensive industrial plan indicating the areas in which the Company proposes to enter in the next few years and the products involved. The plan envisages substantial new investments incorporating greater diversificatio particularly in the area of professional electronics covering materials, components and equipment. As and when approved by the Government of India, the plan will enable the Company to introduce in India new technologies while at the same time providing expansion of its existing activities.

LOCATION OF FACTORIES

1. 19 Convent Road, Entally, Calcutta 14.
2. 4 & 5 Canal West Road, Calcutta 16.
3. Loni-Kalbhor, Poona.
4. Plot 80, Bhosari Industrial Estate, Pimpri.
5. Plot No. 3, MIDC Industrial Area, Kalwa, Thana.
6. Plot No. 4, MIDC Industrial Area, Kalwa, Thana.
7. 39/43 Nesbit Road, Mazagaon, Bombay 10.

A PROSPECTUS

ITED

will be made to the said Stock Exchange.

OARD OF DIRECTORS

hannes Lusink (Chairman & Managing Director),
ompany Executive, Navroze Apartments,
Bhulabhai Desai Road, Bombay-26.

khish Pandit (Marketing Director), Company Executive,
, Skylark, Little Gibbs Road, Bombay-6.

hannes Krul (Director—Finance & Administration),
ompany Executive, 31, Usha Kiran,
rmichael Road, Bombay-6.

nkatakrishnan Ramamrutham (Marketing Director),
ompany Executive, 202 Citadel, Napean Road, Bombay-6.

wal Sobhag Phatarphekar (Director), Solicitor,
avroze Appartments, 35 Bhulabhai Desai Road, Bombay-26.

adhurendra Kishore Varma (Director — Personnel and
dustrial Relations), Company Executive,
A, Lands End, Doongarsi Road, Bombay-6.

aas Rodenhuis (Technical Director), Company Executive,
-B IL Palazzo, Little Gibbs Road, Bombay-6.

ECRETARY

rthasarathi Rajagopala Chari,
ikhav', 21/1, R. A. Kidwai Road, Bombay-31.

UDITORS

velock & Lewes,
avell House, 15, Graham Road, Ballard Estate, Bombay-1.

OLICITORS TO THE ISSUE

andersons & Morgans,
& 7 Netaji Subhas Road, Calcutta-1.

EGISTRARS TO THE ISSUE

ata Consultancy Services,
ir India Building, 11th Floor, Nariman Point, Bombay-20.

ANAGING BROKERS

lace, Siddons & Gough (Private) Ltd.,
Lyons Range, Calcutta-1.

ROKERS

ALCUTTA

ace, Siddons & Gough (Private) Ltd., 6 Lyons Range, Calcutta-1.
L. Roy & Co., 7 Lyons Range, Calcutta-1.
unilal T. Mehta, 8 Lyons Range, Calcutta-1.
ewart & Co., 14 India Exchange Place, Calcutta-1.
M. Bosu, 7 Lyons Range, Calcutta-1.
M. Pyne, 14 India Exchange Place, Calcutta-1.

OMBAY

wis & Jones,
nk of Baroda Building, Apollo Street, Fort, Bombay-1.

erwanjee Bomanjee Dalal,
lahabad Bank Building, Apollo Street, Fort, Bombay-1.

tliwala & Karani,
ion Bank Building, Dalal Street, Fort, Bombay-1.

rkisondass Lukhmidass,
ock Exchange Building, 5th Floor, Apollo Street, Fort, Bombay-1.

irajlal Maganlal Sons,
ock Exchange Building, Apollo Street, Fort, Bombay-1.

imanlal J. Dalal & Co.,
7 Stock Exchange New Building, Dalal Street,
rt, Bombay-1.

ampaklal Devidas,
upen Chambers, Dalal Street, Fort, Bombay-1.

S. Purbhoodas & Co.,
ock Exchange Building, Apollo Street, Fort, Bombay-1.

PHILIPS

DELHI

Harbans Singh Mehta & Co.,
33 Regal Building, Parliament Street, New Delhi-1.

Amrit Lal Bajaj & Co.,
United India Life Building, 'F' Block,
Connaught Place, New Delhi-1.

MADRAS

Paterson & Co., Vanguard House (III Floor),
11/12 Second Line Beach, Madras-1.

Chitra & Co., 322/323, Linghi Chetty Street, Madras-1.

HYDERABAD

P. B. Afzulpurkar, Sultan Bazar, Hyderabad (A.P.)

BANGALORE

M. Nanjappaiah Jahgirdar, 205 Cavalry Road, Bangalore-42.

AHMEDABAD

Chinubhai Chimanlal Dalal,
Fatehbhai's Haveli, Ratanpole, Ahmedabad-1.

INDORE

Pushkarlal Ghudawala, 44 Bada Sarafa, Indore.

BANKERS TO THE ISSUE

NATIONAL AND GRINDLAYS BANK LTD., Lloyds Branch Dr. Dadabhoy Naoroji Road, Bombay-1.	OR their main offices at	Amritsar, Bangalore, Calcutta, Cochin, Delhi (Chandni Chowk), Gauhati, Hyderabad, Kanpur, Madras and New Delhi.
ALGEMENE BANK NEDERLAND, 14 Veer Nariman Road, Bombay-1.	OR their main office at	Calcutta.
BANK OF INDIA, 70-80, Mahatma Gandhi Road, Bombay-1.	OR their main offices at	Ahmedabad, Allahabad, Ambala, Amritsar, Bangalore, Calcutta, Chandigarh, Cochin, Coimbatore, Delhi, Gauhati, Hyderabad, Indore, Jaipur, Kanpur, Lucknow, Madras, Madurai, New Delhi and Patna.
PUNJAB NATIONAL BANK, Ilaco House, Sir P.M. Road, Bombay-1.	OR their main offices at	Ahmedabad, Allahabad, Ambala, Amritsar, Bangalore, Calcutta, Chandigarh, Cochin, Coimbatore, Delhi (Chandni Chowk), Gauhati, Hyderabad, Indore, Jaipur, Kanpur Lucknow, Madras, Madurai, New Delhi and Patna.
BANK OF AMERICA, Express Towers, Nariman Point, Bombay-20.	OR their main offices at	Calcutta and Madras.
AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION, Oriental Building, Dr. Dadabhoy Naoroji Road, Bombay-1.	OR their main offices at	Calcutta and New Delhi.
UNITED BANK OF INDIA, 25, Sir P.M. Road, Bombay-1.	OR their main offices at	Ahmedabad, Allahabad, Calcutta, Coimbatore, Gauhati, Kanpur, Lucknow, Madras, New Delhi and Patna.

throughout the country: Agra Jaipur, Chandigarh, Kulu and Manali in the north; Puri, Gauhati, Siliguri, Darjeeling and Bodhgaya in the east; Madras, Hyderabad, Mysore, Kanyakumari, Nagarjunasagar and Mahabalipuram in the south; and Ahmedabad, Bhopal, Jalgaon and Ajanta in the west.

Asia 72

Delhi State Pavilion: On display at the Delhi state Pavilion is a camera manufactured by a local small-scale entrepreneur. Costing only Rs 15, the camera is a souvenir for Asia 72, just on the lines of the pocket transister radio brought out by the Japanese at the time of Expo 70.

Debt Relief

The consultative committee of the Colombo Plan on November 8, recognised the fact that mounting indebtness and rising debt servicing payments were serious problems confronting some of the developing countries. The problem could be solved, it felt, if the developed countries were prepared to open more of their markets to the products of developing countries and increase their availability of soft finance, particularly grants aid.

At the same time, the committee asked the devoloping countries to exercise restraint on accepting hard commercial terms. Dr I.G. Patel, the former Secretary for Economic Affairs, union Ministry for Finance stated that it was only a very short period since 1958 that we had started borrowing abroad in a significant manner and yet by about 1968-69 we had already reached the situation that something of the order of 30 per cent of our export earnings had to be devoted to the repayment of debt, both amortisation and interest charges.

A meeting of the Aid-India Consortium is likely to be held shortly to take a decision on the amount of debt relief to be given to this country. This has become important because the consortium's agreement to give an annual relief of $100 million annually for three years has expired. This country faces growing repayment difficulties, particularly this year when around $ 600 million is due in interest and principal repayments. The World Bank's debt relief recommendation of an annual $ 200 million is likely to be accepted by the consortium.

Thai Railway Team

A six member railway delegation from Thailand arrived recently on a 12 day visit. Led by Mr Ahna Ramyananda, General Manager of the State Railways of Thailand, members of the delegation proposed to meet the chairman and members of the Railway Board. They also propose to visit Diesel Locomotive Works, Varanasi; Integral Coach Factory, Madras; Research Design and Standards Organisation of the railways, Lucknow and the Railway Training School. The delegation will see the work on the Hassan-Mangalore railway line too.

UK Wage Price Freeze

Prime Minister Edward Heath on November 6, ordered a 90 days freeze on wages and prices in a drive to suppress the inflation that has made the pound sterling sink to its lowest ever levels.

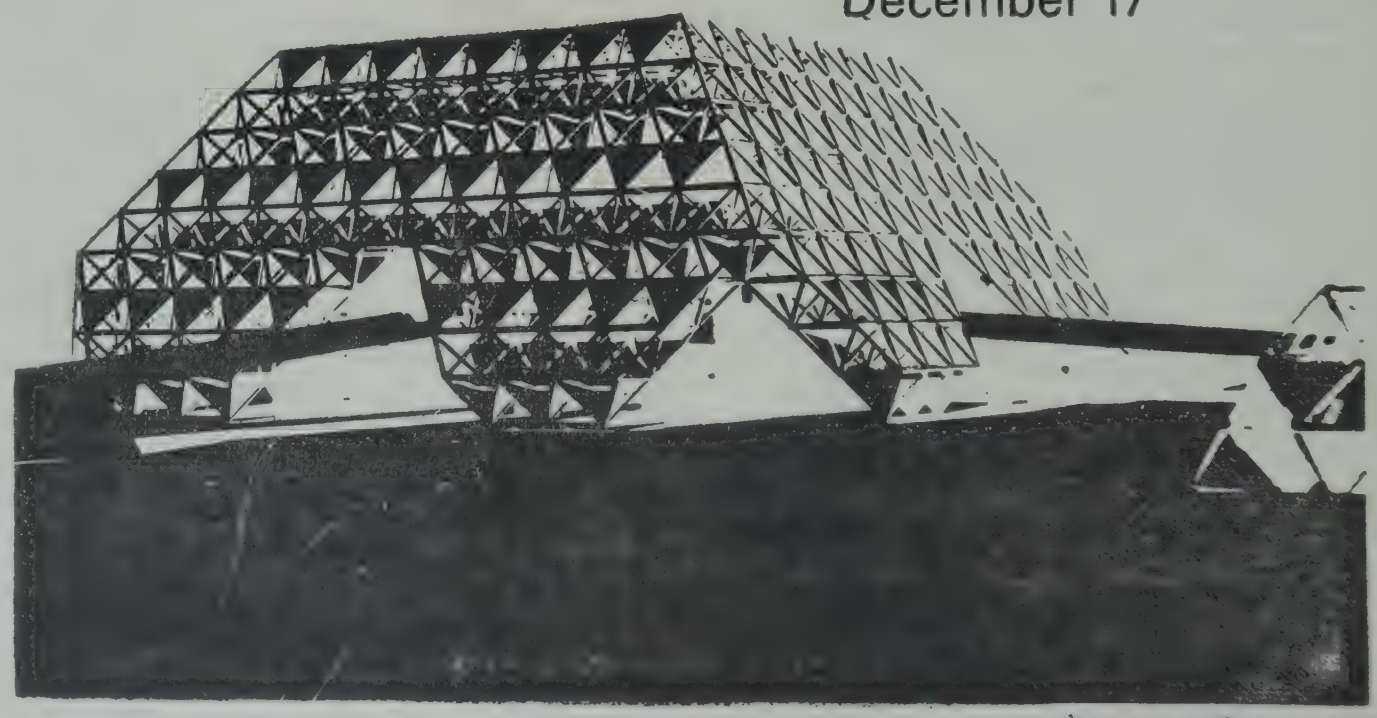
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COMPANY AFFAIRS

Sirpur Paper

THE DIRECTORS of Sirpur Paper Mills Ltd have enhanced substantially the equity dividend to 10 per cent for the year ended June 30, 1972 as against six per cent paid for 1970-71 and three per cent declared for 1969-70. The company's working during the year has resulted in a lower gross profit of Rs 1.46 crores as compared to Rs 1.57 crores in the preceeding year. Out of the gross profit, a sum of Rs 65.18 lakhs was appropriated towards depreciation reserve and Rs 51 lakhs to development rebate reserve as against Rs 64.12 lakhs and Rs 34.97 lakhs provided respectively in 1970-71. An amount of Rs 11 lakhs was earmarked for meeting tax liabilities as against no allocation in the preceding year. This leaves a lower net profit of Rs 19.22 lakhs. Together with a write back of Rs 13 lakhs from the development rebate no longer required and making other adjustments the disposable profits amounts to Rs 32.99 lakhs. The stipulated payment on preference shares and the recommended dividend on equity shares will together claim a sum of Rs 32.80 lakhs.

Kirloskar Pneumatic

A steep rise in salaries, wages, bonus and gratuity bill from Rs 87.87 lakhs to Rs 99.61 lakhs, higher interest charges from Rs 42.79 lakhs to Rs 60.78 lakhs and a sharp increase in cost of materials from Rs 473.51 lakhs to Rs 551.59 lakhs coupled with adverse conditions prevailing in the market have made deep inroads into the profitability of Kirloskar Pneumatic Company during the year ended March 31,1972. Although sales and works contracts were up by about 15 per cent to Rs 933.70 lakhs from Rs 806.31 lakhs the gross profit has been more than halved to Rs 47.90 lakhs from Rs 105.41 lakhs in 1970-71. Out of the gross profit, a sum of Rs 26.92 lakhs was set aside to depreciation reserve, Rs 4.30 lakhs to development rebate reserve and Rs 4 lakhs to taxation reserve as against Rs 25.72 lakhs, Rs 4.60 lakhs and Rs 39 lakhs provided respectively in 1970-71. This leaves a substantially lower net profit of Rs 12.68 lakhs as compared to Rs 36.09 lakhs in 1970-71. The directors have, maintained the equity dividend at 15 per cent. During the year the company diversified considerably its actvities in the fields of compressed air, airconditioning and refrigeration and transmission. Although the company has a suffered a severe setback during 1971-72, it is expected to fare better during the current year. The company's sales in the first half of the current year are significantly higher than in the corresponding period of last year. Orders on hand with the company now total Rs 11.4 crores. The company proposes to change the present accounting year ending March 31 to a new financial year ending June 30 with effect from the year 1972-73.

Glaxo

The year 1971-72 was a year of considerable consolidation in improvement of productivity and cost reduction for Glaxo Laboratories (India) Ltd. By adapting its operations to meet the requirements of the new environment and by taking vigorous steps to control costs at all stages the company had brought about not only an impressive improvement in its working results but was also able to arrest the downtrend in profitability witnessed during the period 1969-71. What is more gratifying is that the sales of its diverse range of products have now reached the record level of Rs 32.46 crores. Export of its products too are at an all-time high and the company continues to be in the forefront of the industry in saving foreign exchange by following an aggressive policy of import substitution through innovation and local research while earning at the same time increasing amounts each year through a positive export promotion scheme. The programme of modernisation and broadening of the company's manufacturing and research activities too made satisfactory progress during the year. The company had spent about Rs 1.08 crores on new fixed assets during the year. The major parts of the investment was at Worli where the company's pharmaceutical formulations unit is being rebuilt and modernised. At Thana, the new betamethasone fermentation process, designed to reduce dependence on imports, is now operating smoothly. At Aligarh the investment has been comparatively smaller and is mainly for purposes of cost reduction and quality improvement. This is disclosed in Vice-Chairman and Managing Director, Mr D.J.R. Farrant's statement circulated to the shareholders of the company.

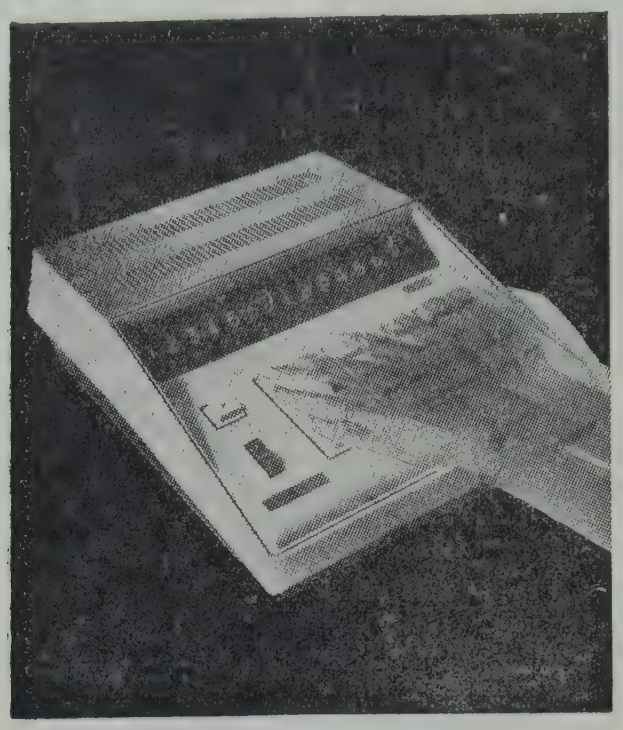
The four primary objectives of the drug and pharmaceutical industry, according to Mr Farrant, are to provide safe and reliable products at low prices to the largest number of people; to build a strong and technically sound industry that will grow to meet the rising needs for drugs and nutritional products in the future; to reduce net foreign exchange costs in the shortest time and to provide employment and thereby assure an adequate income to as many people as possible. To provide safe and reliable drugs, Mr Farrant suggested the creation of a highly competitive atmosphere between companies while maintaining high standards of inspection to ensure that safety is not prejudiced and manufacture of drugs which are required in substantial quantities locally in order to provide products at low prices. The drug price control system, according to Mr Farrant, is a great deterrent in the building up of a strong pharmaceutical industry. Any drug manufactured basically in the country Mr Farrant said, is liable to become the subject of a cost enquiry and will probably be classified as essential with a correspondingly low margin of profit while import drugs that cannot be cost controlled in bulk because they are manufactured outside the country are not subject to this procedure and in general they are classified as non-essential. Thus we are having a system whereby basic manufacture in this country is penalised and investment is thereby discouraged. Mr Farrant therefore made a strong plea to the government to re-examine this system and provide all possible encouragement, rather than restrictive conditions, for basic manufacture so that the industry can contribute its mite in reduction of net foreign exchange costs and provide gainful employment to a sizable number of people.

Asiatic Oxygen

Asiatic Oxygen Ltd has reported a fair improvement in its working results during the year ended September 1971 with sales rising from Rs 90.75 lakhs to Rs 119.71 lakhs and gross profit moving up to Rs 15.93 lakhs from Rs 7.79 lakhs in the previous year. Out of the gross profit, a sum of Rs 8.60 lakhs appropriated to depreciation reserve as against Rs 7.15 lakhs in the preceding year while no provision has been made for development rebate reserve as against Rs 20.26 lakhs allocated in the earlier year. This leaves a net profit of Rs 7.35 lakhs as compared to a deficit of Rs 19.62 lakhs a year

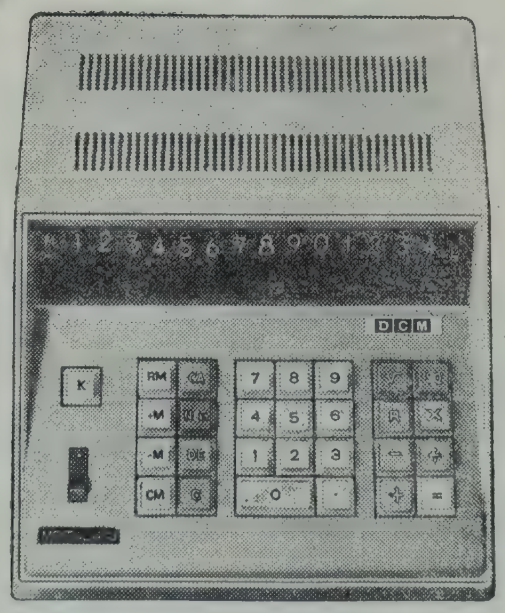
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ago. After earmarking Rs 1.50 lakhs to clear the deficit brought forward from the preceding year and utilising Rs 5.05 lakhs to write off the prelimiary and share issue expenses, the balance of Rs 77,380 has been transferred to reserves. The working results look all the more pleasing since the oxygen plant at Durgapur remained out of production during the whole year and the Bombay unit was out of production for 44 days owing to labour trouble. The dissolved acetylene production has started at Rourkela. Construction of the oxygen plant there is also in progress. With the start of producion at the new sites, impressive improvement in working results is expected in the coming year.

Crompton Greaves

The Management and the labour of Crompton Greaves Limited have signed a long-term settlement providing for a minimum bonus of 10 per cent for four accounting years starting from 1970-71 to 1973-74. Except for this minimum bonus, payment of this bonus will be in accordance with the provisions of the Payment of Bonus Act. The settlement also makes detailed provision for the procedure to be adopted for setting off the amount of bonus paid in excess of the allocable surplus in any year. The settlement provides that any dispute on calculation of bonus will be resolved by adjudication. The settlement further provides for the Workmen an interim relief of 15 per cent of their basic wages from July 1, 1972, and that the union/workmen will not resort to any agitation in pursuance of the issues covered by the settlement. The parties have also expressed a desire to continue their negotiations and arrive at a comprehensive long-term settlement covering wages, dearness allowance, classification, etc.

Sayaji Mills

The Board of Directors of the Ahmedabad-based Sayaji Mills has entered into an agreement with Mr Alok Prakash Jain of New Delhi for the sale of the block of Sayami Mills No. 1 located at Baroda — consisting of lands, buildings, plant and machinery and fixtures and furniture for Rs 88.25 lakhs—and stocks of cotton, yarn, goods-in-process, stores and cloth at cost less Rs 5.50 lakhs. It is worth mentioning that the company has three other undertakings *viz*. (i) Sayaji Mills No. 2 at Bombay; (ii) Maize Products at Kathwada; and (iii) Tapioca Products at Chalakudi in Kerala. Shree Shubhlaxmi Mills, which owns a textile mills at Cambay, is a wholly-owned subsidiary of the company. The entire 21,000 equity shares in the subsidiary have been sold to Mr. Jain at an aggregate price of Rs 3.99 lakhs. This transaction of 21,000 shares in Shree Subhlaxmi Mills. though completed, is inter-connected with the sale of the block of Sayaji Mills No. 1, under the terms of the agreement entered into with Mr. Jain. The agreement, entered into on October 8, is subject to the approval of the shareholders. The sale of the block and the current assets is to be completed within two months of the date of agreement. An extraordinary general meeting of the members of Sayaji Mills was called on November 16 for this purpose.

News and Notes

Expansion and Diversification

The Indian Hume Pipe has made considerable headway in the execution of its plans for manufacture prestressed concrete sleepers. The government has already approved the technical collaboration agreement with Messrs DowMac Concrete Ltd, UK, and the company has sent its representatives to the UK to study the manufacturing techniques. The factory at Karari will operate initially at the production rate of 50,000 sleepers per year and subsequently the rate of production will be doubled. The company has secured several major jobs running into several crores of rupees. The company has obtained an order for water supply scheme for Karwar in Mysore for Rs 1.89 crores. These works are already in progress. The company has also received further orders worth Rs 53 lakhs for supply and laying off prestressed concrete pipes for Delhi Water Supply Scheme. The total value of the work secured in respect of this project comes to about Rs 2.52 crores. The company has also booked an order from the Tamil Nadu Water Supply and Drainage Board for Rs 97 lakhs. The preliminary work for the Koyna hydro electric project stage 2 has been completed and the erection of the pipes will be taken up during the course of this month, and the whole scheme is expected to be completed by December 1973. The company's two factories in Sri Lanka have been working satisfactorily but the unit in Libya did not fare well during 1971-72 due to paucity of orders which has led to its temporary closure from June 15, 1972.

New Issue

J. Stone & Company (Ind'a) Ltd is offering to the public for subscription 3, 39, 274 equity shares of Rs 10 each for cash at par. The subscription list for this fully underwritten issue opens on November 27 and will close on December 5 or earlier but not before November 29. Besides the above public issue the company has reserved 17,856 equity shares of Rs 10 each for the directors and the employees of the company provided they are all Indian nationals. In case these shares are not taken up they also will be made available to the public for subscription.

Since 1931 the company has been operating in the country quite successfully as a wholly owned subsidiary of Stone Platt Group of the UK. The policy of the company since its inception has been to achieve self-sufficiency in a number of essential equipment mainly for the railways as a result of which the company has grown into a gigantic organisation and is currently manufacturing at its factory at Calcutta a complete range of train-lighting equipment and ancillaries such as dynamos, alternators, switchgears etc., brake regulating equipment for railway rolling stock, pantographers for electric locos and EMUs, superheater ele-



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ments for steam locos, fractional horse power motors, rail airconditioning equipment, traction motors, portable generating sets and a host of other equipments. The company has considerable manufacturing capacity, technical resources and expertise at its command, and it is proposed to utilise these facilities for expanding and diversifying its activities. It proposes to set up a factory at Bombay negotiations for which are expected to be finalised early in 1973. The major projects which the company has in hand cover the manufacture of air brake equipment for railway rolling stock and locomotives, brushless alternators and control gears, at its factory in Calcutta and marine navigational aid equipment, rotor switches and systems relays, submersible pumps and motors and automatic door gears for railways and road passenger vehicles at its unit in Bombay. All the above projects are of a highly specialised nature and will constitute in most cases manufacture for the first time in the country. In addition to the internal demand which is already high, these projects have a substantial export potential. The proposed projects will involve a capital outlay of Rs 61.32 lakh and it will be met out of the equity issue of Rs 35.71 lakhs, retained earnings of Rs 21 lakhs and borrowings of Rs 461 lakhs. The present issue is being made with the object of inviting Indian public to participate to the extent of 40 per cent in the equity capital of the company. The net proceeds of the issue will be utilised partly to meet the finance required for implementing the company's expansion plans and partly for repayment of the loan of Rs 14.90 lakhs to Stone-Platt Overseas Ltd of the UK. The company has maintained consistently its record of good performance. With the implementation of the expansion and diversification schemes a further significant improvement in working results is anticipated during the current year. Barring unforeseen circumstances the directors are confident of declaring an equity dividend of not less than 10 per cent on the enlarged capital for 1973.

New Venture

Arrangements are afoot to set up a factory in Palghat district in Kerala to produce four lakh pairs of automobile tyres and tubes per annum. This will be a joint venture of the Kerala State Industrial Development Corporation and Ruby Rubber Works who between themselves will contribute 51 per cent of equity capital. A new company styled 'Apolo Tyres Limited' has been formed for this purpose. The range of production of this new unit will include tyres for cars, jeeps, trucks, tractors and earth movers. The capital cost of the project will be of the order of Rs 13 crores. Rubby Rubber Works will contribute 25 per cent of the equity capital, the Kerala State Industrial Development Corporation 26 per cent and the remaining 49 per cent will be offered to the public. The Merchant Banking Division of the National and Grindlays Bank will act as financial managers for the project. They will handle the public issue and also negotiate for term loans. They have also agreed to provide interim finance up to Rs 3 crores. The company has entered into a technical collaboration agreement with General Tire International Company of the USA, one of the largest tyre companies of the world with vast experience in manufacturing superior quality tyres in countries with climatic and road conditions similar to that of our country. The company will be receiving from the foreign collaborators the technology for the manufacture of radical tyres which is the latest development in the tyre technology, and the company will have the proud privilege and unique distinction of being the only unit in the country to manufacture radical tyres. The collaboration agreement has been approved by the government and the factory is expected to be commissioned by the end of 1974 or early 1975.

Company Registrations

In the southern region, comprising of the states of Tamil Nadu, Andhra Pradesh, Mysore and Kerala and the union territory of Pondicherry, company formations during the quarter ended September 30, 1972 declined slightly as only 116 new companies (12 public and 104 private) were registered as against 123 (12 public and 111 private) registered during the preceding quarter. However, the aggregate of authorised capital with which these 116 companies were registered being Rs 2,043.89 lakhs, the same was higher than that of the companies registered in the preceding quarter. Of these new registrations, seven are big/giant sized companies each having authorised capital of Rs 50 lakhs and above eight companies with an aggregate paid-up capital of Rs. 40.74 lakhs went into liquidation and 8 companies with an aggregate paid up capital of Rs 0.99 lakhs were struck off the register pursuant to Section 560 of Companies Act, 1956, in this region during the quarter under review.

Three public companies with total authorised capital of Rs 550.00 lakhs and 36 private companies with a total authorised capital of Rs 224.80 lakhs respectively were registered in the state of Tamil Nadu during the quarter. One company with a paid up capital of Rs 0.10 lakhs went into liquidation and 7 companies with an aggregate paid up capital of Rs 0.94 lakhs were struck off. Three public companies with a total authorised capital of Rs 625 lakhs and 22 private companies with a total authorised capital of Rs 152.90 lakhs were registered in Andhra Pradesh during this quarter. Three companies with an aggregate paid up capital of Rs 6.01 lakhs went into liquidation and one company with a paid up capital of Rs 0.05 lakhs was struck off. Three public companies with a total authorised capital of Rs 15.00 lakhs and 31 private companies (including one association not for profit) with a total authorised capital of Rs 152.99 lakhs were registered in Mysore during this quarter. Three companies with an aggregate paid up capital of Rs 32.63 lakhs went into liquidation. Three public companies with a total authorised capital of Rs 180.00 lakhs and 15 private companies with a total authorised capital of Rs 143.20 lakhs were registered in Kerala during the quarter. One company with a paid up capital of Rs 2.00 lakhs went into liquidation. No new companies were registered and no companies wound up or struck off during the quarter in the union territory of Pondicherry.

Capital and Bonus Issues

Consent has been accorded to ten companies to raise capital amounting to over Rs 2.21 crores. Following are the details:

Bombay Papers Limited, Poona, has been accorded consent valid for three months, to capitalise Rs 76,950 out of its general reserve and issue fully paid equity shares of Rs 50 each as bonus shares in the ratio of one bonus share for every equity share held.

The Betjan Tea Company Limited, Calcutta, has been granted consent for bonus issue of the value of Rs 6,14,400.

Stanes Amalgamated Estates Limited, Coimbatore, has been accorded consent valid for three months to capitalise Rs 7,50,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Ajay Electrical Industries Limited, New Delhi, has made a statement of proposal of Rs 36 lakhs, as to Rs 30 lakhs in equity shares and Rs 6 lakhs in preference shares, and the same has been acknowledged by the government. The proposed issue is to be utilised for a project for manufacturing lamps near Mohali in Punjab state.

Serson Industries Private

Limited, Poona, has been accorded consent, valid for three months, to capitalise Rs 6,69,600 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for every equity share held.

The Ganges Printing Company Limited, Calcutta, has been granted consent for issue of equity shares worth Rs 5 lakhs on 'rights basis'

The National India Rubber Works Limited, Katni (Madhay Pradesh), has been accorded consent for the issue of bonus shares worth Rs 1,29,200.

Madras Aluminium Company Limited, Bangalore, has been accorded consent, valid for 12 months, to issue convertible debentures of the value of Rs 50 lakhs privately to the Unit Trust of India. The proceeds of this issue will be utilised for meeting the cost of expansion.

Jutlibari Tea Company Limited, Calcutta, has been accorded consent, valid for three months, to capitalise Rs 8,10,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of 3 bonus shares for every 5 equity shares held.

Gujarat Industrial Investment Corporation Limited, Ahmedabad (Gujarat), has been granted consent for issue of bonds worth Rs 100 lakhs (with permission to retain 10 per cent of the oversubscribed amount, if any).

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Travancore Chemical and Manufacturing	June 30, 1972	27.5	25.0
Kirlampudi Sugar Mills	June 30, 1972	6.0	Nil
Bell Graphic Recording Charts	June 30, 1972	10.0**	Nil
Same Dividend			
Jam Shri Ranjitsinghji Spg. & Wvg.	June 30, 1972	10.0*	10.0
Ruby Mills	March 31, 1972	8.0	8.0
Orient General Industries	March 31, 1972	Nil	Nil
National Insulated Cable Co. of India	March 31, 1972	8.0	8.0
Indian Steel & Wire Products	March 31, 1972	20.0	20.0
Madras Safe Deposit Company	June 30, 1972	12.0	12.0
National Standard Duncan	June 30, 1972	14.0	14.0
Cowcoody Estates	June 30, 1972	17.5	17.5
Reduced Dividend			
Stanes Amalgamated Estates	June 30, 1972	8.33*	15.0
Ashok Leyland	September 30, 1972	7.5	9.5
Banarhat Tea Co Ltd	December 31, 1971	4.00	16.0
Bisra Stone Lime Company	March 31, 1972	Nil	15.0
Mysore Chemical Manufactures	March 31, 1972	6.0*	10.0
Carona Sahu	April 30, 1972	Nil	5.0

*On increased capital. **Maiden dividend

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the four weeks ended August 19, 1972. The list contains the names and addresses of the licensees, articles of manufacture, types of liceences vig, New Undertaking (N.U.); New Article (N.A.); Substantial Expansion (S.E.) ; Carry on Business (C.O.B.); Shifting—and annual unskilled capacity.

Licences Issued

(During the week ended July 29, 1972.)

Metallurgical Industries (Non-Ferrous)

M/s allubhai Amichand Pvt Ltd, (Tube Division), 48/50, Kawaro Chawl, Sion, Bombay. (Nasik-Maharashtra) —Aluminium Collapsible Tubes—25.6 million nos.; Aluminium Rigid Wall Containers -5.3 million nos: Aluminium Monobloc Bottles — 2.7 million nos — (Shifting).

Transportation

M/s Marshall Industries of India, 9/52, Kirtinagar, New Delhi-15. (Delhi) - Bicycle Steel Balls in, the range of 1/8 to 1/4" dia - 15,50,000 hundred nos — (NA); M/s Super Seals Indi Pvt Ltd, 21, Nizamud-Din West New Delhi-13. (Faridabad-Haryana) — Oil Seals — 40 Lacs nos after expansion. — (SE).

Industrial Machinery

M/s K.C.P. Ltd, Ramakrishna Building, 38, Mount Road, Madras-6. (Madras-Tamil Nadu) Continuous Sugar Centrifugals: — Annual capcity (in nos) 50 within the licensed capacity of 4 complete small sugar plants annually, which, in turn, has been included in their overall approved capacity of Rs 700 lakhs annually comprising cement machinery, sugar machinery, water tube boilers, Sulphuric Acid and Superph sophate plants, Steel Castings, and Grey Iron Castings as New Articles.

Chemicals

M/s The National Rayon Corpn. Ltd, Post Box No 11118, Eros Theater Building, 1, Jamshedji Tata Road, Bombay-20. BR. (Kalyan-Maharashtra) — Nylon Tyre Cord— 2200 tonnes — (SE).

Textiles

M/s Subhas Silk Mills, 40, New Silk Market, Bombay-2.BR. (Maharashtra) — Art Silk Fabrics — 60 Power looms (after expansion the total capacity will be 152 power looms of Art Silk/Synthetic Fabrics — (SE).

Letters of Intent

(During the week ended July 29, 1972)

Metallurgical Industries (Ferrous)

M/s Special Steel Ltd; Dattapara Road, Borivli (East), Bombay-66. (Bombay-Maharashtra) — (i) Mild Steel Wires 18 Gauge and thicker plain and coated — 20,000 tonnes (ii) Stainless Steel Wires — 1000 tonnes; (iii) Wire other than (i) above 54,000 tonnes - (Total — 75,000 tonnes) — (SE).

Metallurgical Industries (Non-Ferrous)

M/s Shree Bhawani Cotton Mills Ltd, 2766, Hamilton

Road, Delhi-6 (Sikendrabad Uttar Pradesh) — Precious Metal Contacts and Bi-metal strips — 30 tonnes — (NU)

Electrical Equipment

M/s Anil Udyog, A-198, Defence Colony, New Delhi-3 (Ghaziaba-Uttar Pradesh) — Cinema Arc Carbons — 3 million pairs — (NU); M/s Shri Vinay Rai Golf Links — 19, New Delhi (Maharashtra Delhi Haryana) — Copper Clad Aluminium Wire Rods Sections — 5,000 tonnes — (NU).

Transportation

M/s Rao India Ltd. c/o Shri O.P. Bhardwaj, A-201, Defence Colony, New Delhi (Haryana) Very High Pressure Hydraulic & Pneumatic Wired & Branded Hoses — 5 meters; Seamless Bellow Type Hose 2 lakh meters; Bellow Compensators 5 lakh meters — (NU); Shri G.V. Chelapathi Rao, Chartered Engineer, Bunder Road, Industrial Estate P.O., Vijayawada-7 (A.P.) (Vijayawada-Andhra Pradesh) — Scooters — 24,000 nos. (NU); M/s Mehta-Nihon Autocrafts, Nagarjunsagar Road, Kusumnagar, Hyderabad-35 (Hyderabad-Andhra Pradesh) Motor Cycles & Scooterettes (48cc capacity and above) — 24,000 nos (NU); M/s Chowgule & Co. Pvt. Ltd., Morumugao Harbour, Goa (Sirigao Yard P.O. — Aguada-



Goa) — Deep Sea Fishing Trawlers of 72 ft (Approx. 21.9 meters) and above — 12 nos (valued at Rs 1.53 crores) — (NA).

Medical and Surgical Appliances

M/s Mahindra & Mahindra Ltd, Gateway Building, Apollo Bunder, Bombay-I. (Bombay-Maharashtra) — Patient Monitoring system — 100 nos — (NA).

Chemicals

Shri Mahesh Kumar Jaju, D-233, Behari Marg, Rani Park, Jaipur-6. (Rajasthan) — Synthetic Detergents — 10,000 tonnes p.a. (30 per cent A.D.) — (NU); M/s Dai-Ichi Karkaria (P) Ltd., Liberty Building, New Marine Lines, Bombay. (Andhra Pradesh) — Synthetic Detergents — 10,000 tonnes p.a. (30 per cent A.D.) — (NU); M/s Swadeshi Dtergents, 2, Coronation Hotel, Fatehpuri, Delhi. (Uttar Pradesh) — Synthetic Detergents— — 10,000 tonne —(30 per cent A.D.) — (NU); M/s Travancore Titanium Products Ltd, Trivandrum-21. (Kerala) — Sulphuric Acid (for captive consumption only) — 135,000 tonnes; Titaniun Tetrachloride — 102,000 tonnes; Titanium Dioxide Rutite (Chloride route) — 15,000 tonnes; Sodium Hydro-Oxide (for captive consumption only) — 72,000 tonnes; Phosphoric Acid (98 per cent) (for captive consumption only) — 36,000 tonnes; Sodium Metal (for captive consumption only) — 12,000 tonnes; Titanium Metal Sponge — 6000 tonnes) Organ Titanium Compounds—45,000 tonnes; Chlorine (for capitive consumption only) — 63,000 tonnes; Hydrogen Gas a byproducts for captive consumption only — 2400 tonnes; Oxygen (as a byproduct for captive consumption only) — 34,00 tonnes; Sodium Tripolyphosphate — 36,000 tonnes — (NU); M/s The Haryana State Industrial Development Corporation Limited, PNB House, P.B. No 22, Sector-17, Chandigarh. (Haryana) — Synthetic Detergents — 10,000 tonnes (30 per cent A.D.); M/s The Madhya Pradesh Audyogic Vikas Nigam Ltd; 36, Bhadhada Road, T.T. Nagar, Bhopal, (Madhya Pradesh) — Synthetic Detergent — 10,000 tonnes (30 per cent A.D.) — (NU)

Drugs & Pharmaceuticals

M/s Boechringer Knoll Ltd; United Bank Building, P. Mehta Road, Bombay-1. (Maharashtra) — Ampoules — 20 lakhs Dragces — 137.40 lakhs Capsules — 634 lakhs; Tablets — 89.64 lakhs; Granules (Kgs) — 25,000; Liquids (Orallit) — 1.5 lakhs; Ointment & Jelly — 62000 kgs; Powder — 1700 Kgs; Liquid for external use — 26,00 lakhs Kg p.a./ Extract of Scilla Indica—3000 Kgs — (COB).

Paper & Pulp

M/s Bangur Bros Ltd; 14, Netaji Subhas Road Catcutta-I. (Jagadalpur-Dist, Bastar-Madhya Pradesh) Pulp 120,000 tonnes written & Printing Paper — 60,000 tonnes; Special Writing Paper — 60,000 tonnes — (NU).

Sugar

Shri Venkateswara Co-operative Sugar Factory Ltd, Renigunta, Distt: Chittoor, Andhra Pradesh. c/o The Distt. Collector, (Co-operation, Distt. Chittoor, Andhra Pradesh). (Renigunta-Chadragiri Taluk, Distt: Chittoor, Andhra Pradesh) — Sugar with a cane crushing capacity of 1250 tonnes per day — (NU).

Food Processing Industries

Shri R.G. Halalkar, c/o M/s Bajrang Stores, P.O. Dhubri, Dist, Golpara, Assam Wheat Products — 36,000 tonnes per day — (NU).

Rubber Goods

M/s Lenner Cockll Ltd Pandyan Building, P.B. No 117, Madurai-I. (Madurai-Tamil Nadu) — Synthetic Cots & Aprons — Expansion from 1,32,000 Meters to 2,64,000 meters — (SE).

Ceramics

Shri H.L. Somany, c/o M/s Hindustan Sanitaryware. & Industries Ltd, Bahadurgarh, Rohtak, Haryana. (Bulandshahar-Uttar Pradesh) — Crockery & Tableware—3,600 tonnes — (NU); Shri Deepak Varjang Chauhan Alkapuri, Baroda-5. (Baroda-Gujarat) — Fine Chinaware & Electro-Technical Ceramics (Other than Low Tension Insulators) 1800 tonnes and 500 tonnes respectively — (NU).

Defence Industries

M/s Bekay Wood Products Pvt. Ltd, Princes Chambers, Middle Colaba Road, Bombay-5. (Srinagar-Jammu & Kashmir) — Wooden Furniture such as stocks Grips, etc. for sporting rifle and other fire arms — 30,000 sets — (NU).

Licences Revoked or Surrendered

(During the week ended July 29, 1972).

(Information pertains to particular licences only,)

M/s Alta Laboratories Pvt. Ltd, Alta Bhavan, Bombay-18. — Mono cloacetic Acid.; M/s Delhi Cloth and General Mills Co. Ltd, — Alcohol; M/s Star Textiles Engg. Work Ltd, Bombay-13.— Sizing Machines & Roller Conveyance Chains; M/s Synthex Machine Co. Ltd, Bombay — Filament Rayon Plant/man -made Fibres Plants/Staple Fibre Plants.

Licences Issued

(During the week ended August 5, 1972)

Drugs & Pharmaceuticals

M/s Indian Process Chemical Laboratories, Yeswanthapur P.O., Bangalore-22. (Mysore — Racemic Ephedrine — 3000 Kgs — (NA).

Letters of Intent

(During the week ended August 5, 1972).

Electrical Equipment

M/s Free India Dry Accumulators Ltd, 36, Chowringhee Road, Calcutta-16. (West Bengal) — Air Craft Batteries — 3,000 nos — (SE).

Industrial Machinery

M/s Modern Textiles, 4th Floor, Room No 4, 40, Strand Road, Calcutta-1, (Maharashtra) — Aluminium Caps— 25 lakhs Nos — (NU)

Machine Tools

Shri O.P. Wadhwa, 604, Rajmata, 87-B, Nepean Road, Bombay-6. (Ghaziabad-Uttar Pradesh or Haryana) — Pneumatic & Power Screw Drivers — 2500 nos; Pneumatic & Power Drill — 1000 nos; Pneumatic & Power Nut Reemers — 1000 nos; Pneumatic & Power Sanders — 400 nos.; Pneumatic & Power Grinders — 1000 nos; Misc. & Special Purpose Tools like Chippers, Remmers, Aircraft Tools, etc. — 1500 nos. — (Total capacity is 7,400 nos. — (NU).

Miscellaneous Engineering

Shri Kaippully Ramdas, 22, Sebert Road, Forest Gate. London—E7 (UK) (Trichur-Kerala) — Safety Razor Blades — 120 million nos.— (NU).

Chemicals

M/s Gujarat State Fertilizers Company Limited, P.O. Fertilizernagar, Distt. Baroda, Gujarat. (Fertilizernagar-Gujarat) — 15 per cent Fluosilicic Acid —6600 which is equivalent to 1000 tonnes of 100 per cent Fluesilicic Acid — (NA).

Ceramics

M/s E.I.D. Parry Ltd; 'Jeevan Deep' Building, 10, Parliament Street, P.B. No12, New Delhi-1. (Ranipat — Distt: North Arcot, Tamil-Nadu) — Sanitaryware — Expansion from 2460 tonnes — (SE).

Licences Revoked or Surrendered

(During the week ended August 5, 1972).

(Information pertains to particular licences only)

M/s Ramakrishna Industrials (P) Ltd., Coimbatore — Spinning Ring Frames, Drawing Frames, Simples Frames, Sim-

plex Frames & Blow Room Machinery.

Licences Issued

(During the weeks ended August 12 and 19, 1972).

Metallurgical Industries (Non-Ferrous)

Shri K.M. Kotah, Flat No. 3, Dariya Mahal, 80, Napean Sea Road, Bombay-6. (Bombay-Maharashtra) — Aluminium Collapsible Tube — 12 million nos — (NA).

Electrical Equipment

M/s Gwalior Lamps & Electricals Ltd, 35/1, Asaf Ali Road, New Delhi-1. (Gwalior -Madhya Pradesh) — G.L.S. Lamps (15-250 W) — 4.5 million nos — (NU); M/s Capital Lighting & Electronics Pvt. Ltd, 15/1, Asaf Ali Road, New Delhi-1. (Hyderabad-Andhra Pradesh) —G.L.S. Lamps (15-200W) — 4.5 million nos —(NU); M/s Ajay Engg. Works, D-358, Defence Colony, New Delhi. (Chandigarh-Punjab) — G.L.S. Lamps (15-250W) — 3.5 mill. nos; Train Lighting Pigmy Night Colour, Decoration and Candle Lamps (Except items reserved for Small Scale Sector — 15 lakhs nos — (NU).

Transportation

M/s Hindustan Auto Corpn. 3-9, Modi Chambers, Sandhurst Bridge, Bombay-4. (Faridabad-Haryana) — Engine Valves — 36 lakh numbers — (NU)

Miscellaneous Engineering

M/s Avalon Engg. Pvt. Ltd; Unity Building, (2nd Floor) Jayachamarajendra, Bangalore-2. (Bangalore-Mysore) — Press Tools, Jigs, Fixture, Pressure Die Casting Tools, Moulding Tools, Die-Sets, Dowel Pins, Form Tools, Special Equipment, Knee Level Presses — Rs 75 lakhs — (NU).

Fermentation Industries

M/s Valley View Breweries Ltd, 134-B, Srikrishnapuri, Patna-13. (Chakardharpur, Distt: Singhbhum-Bihar) — Beer — 50,000 H.L. — (NU).

Food Processing Industries

M/s Bharat Flour & Oil Mills, 72, Girish Park North, Calcutta-6. (Dabgram, Dist. Jalpaiguri, West Bengal) — Wheat Products — 30,000 tonnes — (NU); Shri M.L. Chandak, B-25, Greater Kailash, New Delhi. (Bokaro-Bihar) — Wheat Products — 30,000 tonnes — (NU); M/s Meerut Cold Storage & General Mills Ltd., Delhi Road, Meerut (UP). (Ghaziabad-Uttar Pradesh) — Wheat Products — 30,000 tonnes — (NU); Shri Birbal Das Aggarwal, 28, Industrial Area, Chandigarh. (Bombay-Thana, Maharashtra) — Wheat Products — 30,000 tonnes — (NU); M/s Nath Brothers, 101, Shivaji Road, Meerut (UP). (Muzaffarnagar-Uttar Pradesh — Wheat Products — 30,000 tonnes — (NU); Shri Sarwan Kumar Gupta, House No. 91, Sector 28-A, Chandigarh. (Karnal-Haryana) — Wheat Products — 30,000 tonnes — (NU); Shri Satya Narain Gupta, 48. Najafgarh Road, New Delhi-15. (Delhi) — Wheat Products — 30,000 tonnes — (NU); Shri C.L. Chandak B-25 Greater Kailash, New Delhi. (Agarthala-Tripura) — Wheat Products — 30,000 tonnes, — (NU); Shri P.C. Goyal, c/o M/s South India Steel & Starch Industries, 110/1, Nattamangalam, Main Road, Salem-2. (Bokaro-Bihar) — Wheat Products — 30,000 tonnes — (NU); M/s Jagatjit Industries Ltd; 54, Ring Road, Lajpat Nagar-III. New Delhi-24. (Hamira, Distt: Kapurthala, Punjab) — Malted Milk Food — "VIVA" — 4,800 tonnes per annum. — (COB); M/s Trade Links (P) Ltd; 46, Pusa Road, New Delhi. (Ghaziabad-Uttar Pradesh) — Malted Milk Food (Coca Maltine) — 223 tonnes — (COB).

Letters of Intent

(During the weeks ended August 12 and 19, 1972).

Metallurgical Industries (Ferrous)

M/s Atma Steel Pvt. Ltd; KF/44, New Kavi Nagar, Ghaziabad-UP. (Ghaziabad-Uttar Pradesh) — Box Strappings — 4,000 tonnes (After Expansion) ; Cable Armouring Tapes — 2,000 tonnes (After Expansion); New Articles:— C.R. Strips — 4,000 tonnes; Galvanised C.R. Strips — 2,000 tonnes — (NA/SE).

Electrical Equipment

M/s Devidayal Cable Industries Ltd, Gupta Mills Estate, Reay Road, Bombay-10. (Maharashtra)—Electronic Desk Calculators — 3,000 nos — (NU); M/s Victor Cables Corpn. 802, Joshi Road, New Delhi. (Sahibabad-Uttar Pradesh) — High Frequency/ Radio Frequency Cables — 1,000 Kilometers — (NA).

Telecommunications

M/s Mulchandani Electrical & Radio Industries Ltd., Sukhsagar, Hughes Road, Bombay-7. (Thana-Maharashtra) — Electronics Calculators — 2,000 nos — (NA).

Transportation

M/s Bharat Springs Pvt. Ltd, 11-C, Benham Hall Lane, Girgaum, B .mbay-4, (Maha rashtra) — Automobile Spring Leaves and Assemblies — 2880 tonnes (After Expansion). —(SE); Shri H.P. Roy, P-27, Princep Street, Calcutta-13. (West Bengal) — Thin Walled Bearings — 20 lakh nos; Thick Walled Bearings—5 lakh nos; Bushes — 40 lakh nos; Thrust Washers — 20 lakhs nos — (NU); M/s Khemka Spares & Accessories Pvt. Ltd, India Chambers Bldg; Esplanade, Madras-1. (Ambattur-Tamil Nadu) — Gears for Machine Tools — 50 tonnes; Crown Wheels & Pinions for Automobile Industry — 250 tonnes — (NU); Shri D. Haldar, 77/IA, Park Street, Calcutta-16. (West Bengal) — Automobile parts Castings — 125 tons; Sewing Machine Parts — 75 tons; Scooter Parts 50 tonnes — (250,000 price p.a — (NU).

Industrial Machinery

M/s Industrial & Agricultural Engg. Co. (Bombay) Pvt. Ltd, 43, Forbes Street, Fort, Bombay-I.BR. (Bombay- Maharashtra) — Solvent Extraction Plants — Rs 105 lakhs — (NA).

Machine Tools

M/s Indabrator Ltd., NSE Estate, Goregaon East, Bombay-63, (Bombay-Maharashtra) — Shot Blasting Equipment. Expansion from Rs 60 lakhs to Rs 120 lakhs — (SE). M/s New Bemco Engg. Products Pvt. Ltd, Udyambag Industrial Estate, Khanapur Road, P.O. Udyambag, Belgaum, Mysore. (Belgaum-Mysore) — Hydraulic Equipments — Expansion from Rs 30 lakhs to Rs 50 lakhs — (SE).

Miscellaneous Engineering

M/s Precision Machinery Co Pvt. Ltd; 3428, D.B. Gupta Road, Opp. Shiela Cinema, New Delhi-55. (Haryana) — Safety Razor Blades — 180 million nos; (108 million nos stainless steel Blades and 72 million nos of Carbon Steel Blades) — (NU).

Chemicals

M/s Chamic Ltd, 'Corinthian', B-5, First Floor, 17th Arthur Bunder Rd; Colaba-Bombay-6. (Baroda-Gujarat) — Metallised Polyester Film — 25 tonnes — (SE).

Drugs & Pharmaceuticals

M/s Boehringer-Knoll Limited, United India Building, P. Mehta Road, Bombay-1. (Bombay-Maharashtra) — Euglucon Tablets — 15.5. million tablets — (NA).

Food Processing Industries

Shri Ravi Mettle, 26, Prithvi Raj Road, New Delhi-1. (Delhi) — Wheat Products — 30,000 tonne — (NU).

Licences Revoked or Surrendered

(During the weeks ended August 12 and 19, 1972).

(Information pertains to particular licences only).

M/s Mukund Iron & Steel Works Ltd., Kurla, Bombay-70 — Shorts and Grits; M/s Rex Engg. Co Ltd; Calcutta— Bitumen Boilers; Asphalt Mixers Hot & Cold; Bitumen Distributors; Portable Asphalt Plant; Bitamen Paver Finisher.

Working to a common purpose...

By assisting the small scale sector



We believe that in the growth of the small scale sector lies our own development.

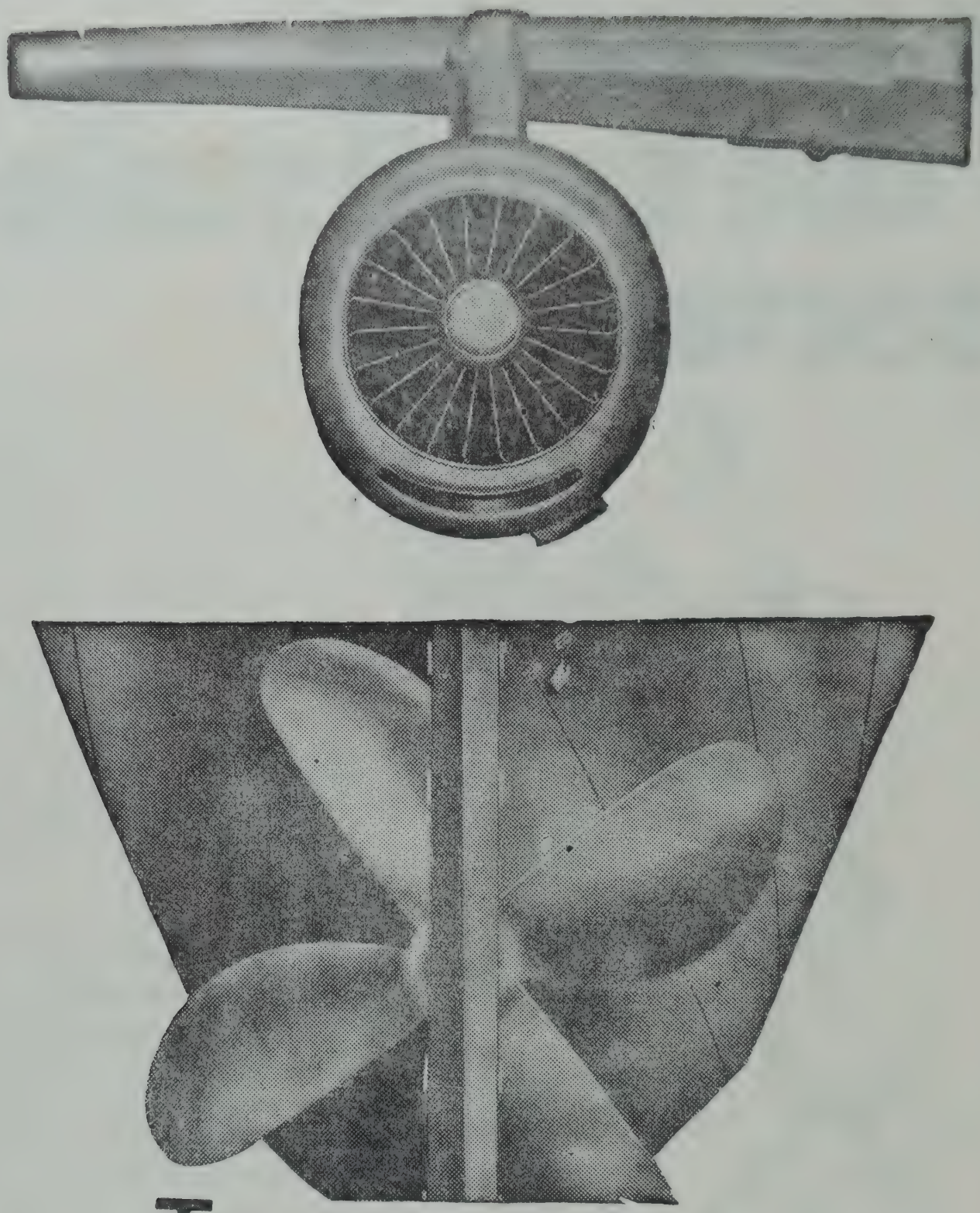
To this end, we have, over the last 25 years helped to set up 110 small scale units by providing them with technical guidance for ensuring quality, guaranteeing offtake to the extent of lifting their surplus production at the cost of increasing our own inventories and assisting in various other ways. These units today provide employment to nearly 4,000 people and have an annual turnover of over Rs. 12 crores.

We plan a continuing acceleration in the future, of the programme of assistance to small scale industries, specially concentrating on those which have export potential and are labour intensive.

Our efforts indeed are humble : but if they go even a small way towards helping national interests, we shall have served our purpose.

India Tobacco Company Limited
—in pursuit of progress

ITC/PA-28



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The Calcutta Electric Supply Corporation Ltd.

(Incorporated in England)

SALES OF ELECTRICITY

(in millions of units)

	1969/70	1970/71	1971/72
Domestic	719.2	740.8	738.8
Industrial	1772.7	1749.7	1850.4
Others	76.1	73.5	72.2
TOTAL	2568.0	2564.0	2661.4
Maximum Demand met in MW	520	520	533

FINANCIAL WORKING

	1970/71 Rs. lakhs	1971/72 Rs. lakhs
Gross Rev.	3267.5	3489.0
Profit after Taxation	79.2	112.4
Additions to Fixed Assets	201.9	313.4

Extracts from the review by the Chairman, Mr. Sachindra Chaudhuri at the 75th Annual General Meeting held on 10th November, 1972 at Victoria House, Calcutta

IN THE year under review India has witnessed great human tragedies including War and mass migration of refugees. This migration with all its intensely sorrowful accompaniments stretched into areas within which your Company operates. On the other hand, under the leadership of her Prime Minister, India has won a decisive victory, with little loss of Indian life, over the soulless military machine of Pakistan, and has helped the emergence of an independent democratic State. She has also given comfort and asylum to the large migrating population unprecedented in history and has helped them to return to their homes and to rehabilitate themselves. The State of West Bengal has been to the polls and a Government has been elected which commands strong support both in the legislative assembly and in the State. Confidence in the future of the State and its economic growth and stability has returned and law and order have been restored. Your Company has been fully active in the generation and supply of power needed for development of the State but for causes beyond its control it has been unable fully to play its required part. I shall revert to this question later in this Review. I, however, express my deep regret that our consumers have suffered great inconvenience caused by interruption of power supply and I thank them for their understanding and forbearance. I like to emphasise that in this crisis of power your Company has stretched itself to the utmost to maintain its supply to industries, other organisations and domestic consumers.

Board of Directors

Our active operative Board is completely Indian though the interests of our British Stockholders are constantly kept in view and are especially looked after by Sir Owain Jenkins and Mr. J. W. Gauntlett who are always available to our Stockholders on our English register, to answer questions and give information.

Sales of Electricity

I am pleased to report that the units sold and maximum demand as shown above have at last risen above the static figures of the last three years. But the small increases (less than 4%) do not adequately reflect the improved industrial conditions to which I have referred because restrictions were imposed by Government order on certain H. T. Industrial Consumers and because there has been frequent "load shedding" for reasons explained later.

Capital Expenditure

Capital Expenditure at cost less provision for depreciation and change in the Rupee and Sterling rates stands in the Balance Sheet at Rs 3970.8 lakhs, Net Expenditure during the year totalling Rs 313 lakhs. Although this was considerably more than in the previous year it was, as was predicted, less than was provided in our Development Budget. The main items of expenditure were on modifications to the coaling plant at Mulajore Generating Station and the EHV Cables for the Princep Street 132 KV Receiving Station.*

*NB—Fourth 132 KV Receiving Station to receive power from the WBSEB.

Electricity (Supply) Act and Tariff Policy

In the Directors' Report we point out that the Clear Profit for the year was Rs. 138.9 lakhs or some Rs 80.3 lakhs less than the Reasonable Return to which the above Act entitles the Company. This profit included about Rs 23.1 lakhs (net of tax) of interest really extraneous to the business of electricity supply and so the deficiency of operating profit was something more like Rs 103.4 lakhs. This again underlines the urgent need for an increase in the Company's revenue to mach its increased costs. Stockholders will be aware that for over two years now we have been endeavouring to implement a comprehensive revision of our rates designed to bring the clear Profit more nearly into balance with the reasonable Return. I regret again to have to report that in spite of our endeavours the support of Government which we can reasonably expect has not yet come. A reluctance in Government to give to ready assent to an incerase in the price of such a basic commodity as electricity is understandable. I must point out, however, that such a policy can have dire results. The present condition of the Electricity Supply Industry in West Bengal is a stark reminder of the consequences of starving the Industry of finance. So far as the consumers are concerned, I am quite convinced that their interest is best assured by being served by an undertaking which is viable and efficiently run with due regard to the supply of future demands. This Company can meet these criteria only if it is allowed to earn its Reasonable Return which enables it just to service its capital and have some margin to spare to augment development finance. The framers of the Electricity (Supply) Act

CESC

had this economic position in mind and enacted strict rules as to Reasonable Return. Irreparable damage will be done to the Company and with it to consumers in Calcutta if its right to earn the return which the Electricity (Supply) Act entitles it is thwarted.

Operations

Stockholders resident in Calcutta will unfortunately need no reminder of the drastic power shortage which was referred to by my predecessor in his Review last year and which, to our regret, still persists. In fairness to the Company's operational and planning staff, if for no other reason, I would state categorically that the blame for this power crisis cannot be laid at the Company's door. This is because some 20 years ago, when the Company sought the necessary consents from Government for the construction of a large new generating station in the Calcutta area it was advised that these would not be forthcoming as Government had decided to assume responsibility for the expansion of the generating capacity in the State; and that the Company would thenceforth have to take all its additional power requirements from Government Agencies. The Company's present failure to meet in full the demands of its consumers is due not to any defect or operational failure of its own plant, the performance of which during the year has not only been maintained in terms of utilisation factors rarely equalled elsewhere in India but has also shown an improvement over that of the previous year. The utilisation factors of the two of our principal power stations installed in 1940 and 1950 were respectively 87% and 94% of the installed capacity. Quite simply, it is due to the inability of Government Agencies—the West Bengal State Electricity Board and the Damodar Valley Corporation—to supply the Company with the full amount of power to which these agencies are committed by agreements with the Company. Had the State Electricity Board and Damodar Valley Corporation been in a position to perform their obligations under these agreements there would have been no power cuts in Calcutta in the recent past nor would there be any today.

It appears that the Government Agencies' existing firm generating capacity is inadequate and the present extremely unsatisfactory state of affairs will persist until that capacity is materially enhanced either by an improvement in the performance of the existing plants or by the eommissioning of additional plant. In terms of conventional steam generating plant, the latter is, of course, a lengthy business and the State is not likely to see any further augmentation of its capability, in relation to needs, for a minimum of four to five years after the commissioning of the two 120 MW units at Santaldih P.S. in 1973/74. The addition of a mere 240 MW of installed capacity in 1973/74 can hardly be considered adequate to cover the needs of the State up to 1976/77, not to speak of the urgent and immediate need for additional capacity to implement an overdue programme of maintenance for restoration of all power plants in the State to good working order. Quicker relief measures such as the installation of gas turbine generators may be considered by the authorities.

Administration

Although the number of employees remained virtually constant throughout the year there was a very substantial rise in salaries and wages. The new agreement referred to last year resulted in an increase in emoluments to our workers totalling approximately 150 lakhs of rupees during the year under review. The Company has always recognised the social responsibilities of an employer and has been just and fair in its dealings with its employees. It appreciates that only the satisfied employees give the best service to consumers. A similar rise occurred in 1968 when the previous revision of pay was made after which the average annual wage curve tended to level off. We expect this to happen again during the current agreement. Despite the sharp rise in rates of basic pay the amount paid for overtime was maintained at about the same level as last year by dint of strict supervision combined with the introduction of incentive schemes. Unfortunately, some sections of our labour force continue to resent the restriction of overtime within reasonable limits.

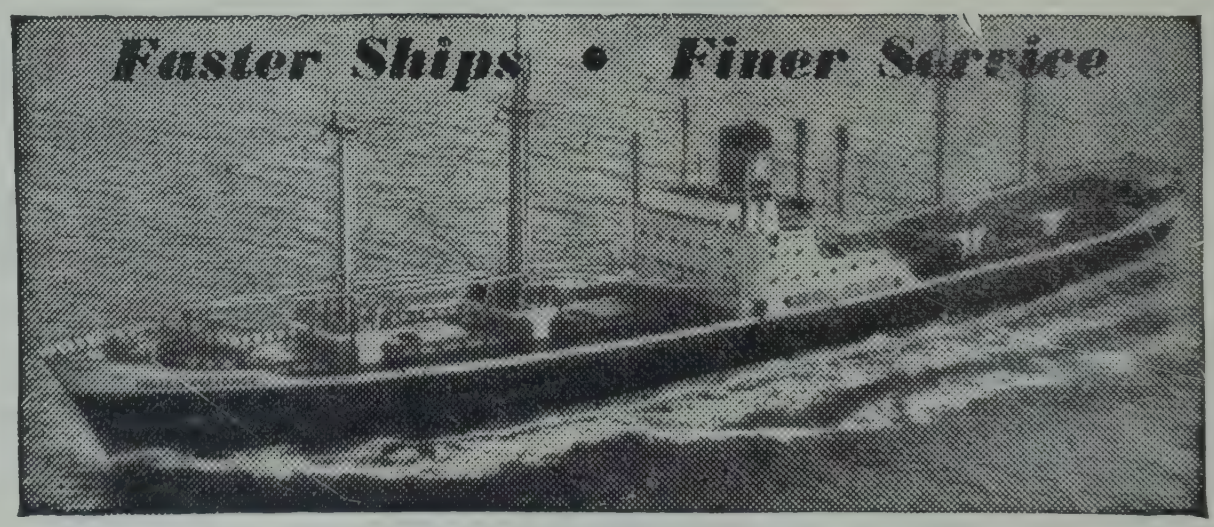
Although we have still been unable to instal a modern computer because of the "no automation" policy of the unions, some of the older billing machinery have now been replaced by newer machines with enhanced speed and the output of monthly bills is being kept up to date. Allocation of expenditure is still done manually and is consequently much in arrear.

For the convenience of our consumers in the southern part of our area the Company last month opened another Regional Office in a new building on Gariahat Road.

Staff

I am sure you would wish me on your behalf to express the Company's appreciation of the tasks that have been performed by your executive staff and the workers who have helped maintain supply in difficult circumstances and made it possible for the Company to render efficient service to our consumers.

N.B.—This statement does not purport to be a report of proceedings of the Annual General Meeting referred to above)



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RECORDS AND STATISTICS

Review of India's foreign trade

A REVIEW of India's foreign trade for 1971-72 and for the first five months of the financial year 1972-73 prepared by the Export Planning Session of the Ministry of Foreign Trade shows that despite several hampering factors, exports have started looking up. In 1971-72, exports were higher than in 1970-71 by 4.6 per cent. The exports during the first five months of 1972-73 were higher by 18 per cent over the corresponding period in 1971-72. Exports seem to have done well in respect of jute manufactures, cotton and woollen textiles cashew kernels' fish, oil cakes, leather and leather manufactures, pulses and precious stones. The view has been expressed in the official review that given adequate efforts, a significant improvement in the growth rate of exports can be realised during the current financial year in both traditional and non-traditional sectors.

The review is given below in full.—

Overall Situation

Performance in 1971-72

India's exports (including re-exports) made further advance during 1971-72. Total exports during the year (including exports of about Rs 38 crores to Bangladesh) reached a level of nearly Rs 1607 crores, showing an increase of Rs 72 crores or 4.6 per cent over the exports during 1970-71. Thus, the increase during the year was not adequate in itself, but viewed in the context of severe difficulties that faced the trade during the year, particularly in the latter half of 1971-72, even this small achievement provides some hope for the future. Over the first three years of the Fourth Five Year Plan, while our exports have been rising, the growth rate has been uneven varying from 4.1 per cent in 1969-70 to 8.6 per cent in 1970-71 and 4.6 per cent in 1971-72. Because of a change in the method of compilation of export statistics introduced in November 1970, export figures for 1970-71 are not strictly comparable either with those of the former or the later year. However, on a rough basis, the rate of growth of exports during the first-three years of the Fourth Plan works out at a compound rate of nearly 5.8 per cent a year as against the target of 7 per cent annual rate of growth stipulated in the Fourth Plan.

The previous year witnessed unusual strain on India's resources on account of tremendous influx of refugees from Bangladesh and Indo-Pak hostilities. Among the important domestic factors which hampered the growth of exports during 191-72 included (i) continuing shortages of demestic supply of certain basic raw materials (steel, non-ferrous metals, cotton etc.) needed by export production. (ii) Sluggish trend in industrial production (iii) Transport bottlenecks and dislocation in shipments due to Indo-Pak hostilities. The export trade also suffered a great deal on account of number of external factors *viz.* (i) the international monetary crisis which added to the uncertainties of foreign trade. (ii) recession in world steel industry which affected export of iron ore, ferro-manganese etc, (iii) restrictive trade policies pursued by certain developed countries and (iv) inadequate shipping space and increasing freight rates.

On the other hand, India's total imports during 1971-72 at Rs 1812 crores (revised) were larger by Rs 178 crores or nearly 11 per cent as compared to imports made during 1970-71, which were required to meet the urgent need in regard to raw materials, petroleum and petroleum products and capitals goods. As a result of proportionately much larger increase in imports than exports, the deficit of India's foreign trade widened from Rs 99 crores during 1970-71 to Rs 205 crores during 1971-72.

Encouraging Trend in 1972-73 (April-August)

India's export performance during the first-five months of the current financial year 1972-73 has been quite encouraging. Export during this period reached a total of Rs 756 crores, recording an increase of Rs 116.5 crores or 18.2 per cent as compared to exports of Rs 640 crores during April-August 1971. On the other hand imports were lower by nearly 8.5 per cent, as a result of which the balance of trade turned into a surplus of Rs 56 crores during April-August, 1972 as against a deficit of Rs 125 crores during April-August 1971 as can be seen from the table below:-

Commodity-Wise performance of Exports (1971-72)

The commodity-wise details are available for the year ending 1971-72. No such details are available for the period April-Aug. 1972. Morever, these commodity-wise data have not taken into account substantial portion of exports to Bangladesh (approximately Rs 38 crores) information is being collected.

On the basis of performance, exports of various items during 1971-72 (as compared to 1970-71) may be divided into the following two categories—the figures in brackets show the extent of increase or decrease during 1971-72 over 1970-71.

(A) Items Showing Increase
(Value in Rs Crores)

Jute manufactures 265.3 (+74.9), Tea 156.3 (+8.0), Pearls precious and semi-precious stones 51.5 (+9.6), Cashew kernels 61.3 (+9.2), Tobacco unmanufactured 42.3 (+10.9), Sugar 30.0 (+2.4), Fish 42.0 (+10.7), Raw Cotton

Balance of Trade

(Rs Crores)

	1968-69	1969-70	1970-71	1971-72	April-August	
					1972 (Provisional)	1971
Imports (c.i.f.)	1908.6	1582.7	1634.1	1812.0	700.5	765.0
Exports incl. re-exports (f.o.b.)	1357.9	1413.3	1535.2	1607.0*	756.3	639.8
Balance of Trade	—550.7	—169.4	—98.9	—205.0	+55.8	—125.2

*This includes substantial exports (approximately Rs 38 crores) to Bangladesh.

16.6 (+2.6), Cotton apparel. 14.0 (+5.4), Footwear made of leather and canvas 11.6 (+9.3), Leather and leather manufactures excl. footwear 90.8 (+18.2), Handloom cotton piecegoods 10.0 (+2.2) Febrics of artsilk and synthetic fibres and spunglass 7.5 (+2 2), Rubber manufactures incl. crude rubber 7.9 (+0.8), Tobacco manufactures 2.8 (+1.6), (+1.6), wood lumber & corks 8.2 (+0.6).

(B) Items Showing Decline (Value in Rs Crores)

Iron ore 104.7 (—12.6), Cotton piecegoods mill-made 66.6 (—0.9), Iron & Steel (excluding ferro-manganese & ferro-alloys) 25.6 (—41.6), Ferro-Manganese & ferro alloys 2.9 (—8.5), Oil cakes 40.2 (—15.2) Cardamom 8.2 (3.1), Coffee 22.1 (—3.0), Cotton yarn 15.8 (—4.8), Minerals, fuels, lubricants and related materials including coal and coke 7.9 (—4.7), Paper and paper board 2.9 (—2.5), Iron and Steel scrap 2.0 (— 5.0), Onions 2.3 (— 3.9), Hides and skins raw 0.7 (—3.1), Palstics & plastic manufactures 2.8 (—2.2), Meat and meat preparations 1.4 (—1.7), Manganese are 10.6 (—3.4) Mica 15.4 (—0.2) Engineering goods 118.4 (—12.0) Raw wool 3.4 (—0.7), Chemical and allied products excl. essential oils 27.6 (—1.8).

Thus, the export performance during 1971-72 was excellent particularly in respect of items like jute manufactures, leather & leather manufactures, fish, tea, tobacco, cashew kernels, precious & semi-precious stones. As against this, the decline in exports was particularly disturbing in the case of Iron & Steel, iron ore, ferromanganese. oilcakes, engineering goods etc.

Survey

A brief survey of trading conditions in respct of important items of category (A) and category (B) is given below.

Jute Manufacturers

A large vacuum had developed in world market of jute goods as a result of virtual stoppage of supplies from Bangaladesh during 1971-72. Only a small part of this vacuum could be filled by supplies from India and synthetics accounted for the major gain. In terms of quantity exports of jute goods from India during 1971-72 at 6.7 lakh tonnes were about one lakh tonne or one-fifth larger as compared to the low level of exports of 5.6 lakh tonnes during 1970-71. The strong pull of demand, both internal and overseas, pushed up the prices. As a result of higher unit value realisation by 16 per cent the total export earning during the year at Rs 265 crores showed a rise of 39 per cent. Except for Middle East exports showed increase to all the areas The dwindling inventories of jute products with US bags and carpet markers, also induced them to replenish their stocks by way of sizeable increase in US imports from India.

Our exports during the year under review could have been still more but for the inability of the industry to step up production to the target level due to various difficulties such as power shortage, strained industrial relations and limited spinning capacity. The rise in the prices of jute goods in the wake of world shortage of supply seems to have further stipulated the use of synthetics in place of jute goods. According to a delegation of senior officials which recently toured important jute markets abroad, the share of synthetics in the mrkets has increased from 15 per cent in 1967-68 to 45 per cent by now and may go up to 51 per cent if no understanding is reached between India and Bangla desh. The availability of adequate supplies at competitive price must constitute a principale lement of the strategy to stabilise the position of jute goods in relation to synthetics. Simultaneously, through research and development, new uses must be found for jute goods such as decorative and furnishing fabrics.

Special efforts will be necessary to remove production constraints during the current financial year (1972-73) in view of the unfavourable crop situation.

Tea

Exports of tea at Rs 156.3 crores during 1971-72 were up by nearly Rs 8 crores over previous year. The higher exports earnings were made possible by increase in quantity of exports and slight improvement in the unit value realisation. In terms of quantum exports at 207.4 million kg were about 8.3 million kg more than in 1970-71. The unit price realised was Rs 7.54 per kg against Rs 7.45 per kg in the previous year The steady recovery in world prices of tea in the course of last two years owes largely to participation in international arrangements with other major tea producing countries

Due to increasing competition from East Africa and other sources and from soft beverages, exports to UK at Rs 50.3 crores declined by Rs 14.6 crores Purchases by other markets like Afghanistan, UAR were also lower. On the other hand, there were substantial increases in the exports to USSR from Rs 26.4 crores to Rs 33.00 crores, to Sudan from Rs 5.6 crores to Rs 12.6 crores, and to Iraq from Rs 0.5 crores to Rs 4.3 crores. There was also appreciable increase in the exports to USA, Iran etc.

The commodity-efforts at international levels need to be intensified so as to ensure a reasonable balance between prospective import demand and export supplies. Similtaneously, active efforts must be made through adequate promotional devises to further popularise the use of tea in the world markets and to safeguard against competition of soft beverages.

Cashew Kernels

Following a continued decline in the last few years, exports of cashew kernels registered a significant recovery during the vear under review Total exports during 1971-72 at 60.4 thousand tonnes valued at Rs 61.3 crores were larger by nearly 10 thousands tonnes or 20.8 per cent in quantity and by Rs 9.2 crores or 17.6 per cent more in terms of export earnings. The off-take by take the USA, which is our biggest market, showed a significant increase with a share of Rs 28.7 crores during the year as against Rs 24.7 crores worth of purchase during 1970-71. So also exports to USSR increased from Rs 14.9 crores to Rs 17.0 crores and to Canada from Rs 2.3 crores to Rs 4.2 crores. As against this there was a sharp decline in the exports to GDR which fell from Rs 2.4 crores to Rs 0.75 crores.

Cashew kernels is a promising item. But the future prospects of this item would depend largely on our capacity to ensure adequate supply of raw nuts to the processing units. At present nearly 70 per cent of our requirements of raw nuts are met by imports from East African countries. Since these areas are developing their own cashew industry, it is necessary that the ratio of indigenous production to total requirement steadily goes up.

Tobacco Unmanufactured

The declining trend in exports of unmanufactured tobacco reversed and there was a phenomenal increase during the year. Exports of tobacco improved by Rs 10.9 crores to Rs 42.3 crores during 1971-72. This increase in export earnings was due both to larger quantities exported and better prices obtained there from. At 57.3 million kg., the quantity was larger by 9.8 million kg. The unit value stood higher at Rs 7.37 per kg against Rs 6.61 per kg during 1970-71. The boom in exports during the year was almost entirely due to heavy purchases by the USSR which rose from Rs 5.4 crores during 1970-71. to Rs 15.3 crores during 1971-72. The UK continued to be the biggest market but its purchases at Rs 15.8 crores was lower by 0.8 crores as compared to 1970-71. Exports to Japan improved from Rs 2.4

rores to Rs 3.9 crores and against nil exports during the previous year, exports to Czechoslovakia during 1971-72 amounted to Rs 1.9 crores. Although our exports are expected to do well in East-European Countries, the future prospects in the West Europe are becoming increasingly uncertain particularly with UK's joining ECM. To maintain our position in West European Markets, it would be necessary to produce type and grade of tobacco which they need.

Sugar

India developed a sizeable trade in this item in the last 2 years. Export earnings showed further increase during 1971-72 largely as a result of a significant rise in the unit value of exports. In terms of quantity exports during 1971-72 at 3.16 lakh tonne were lower by 32 thousand tonne, while the export earning at Rs 30.0 crores showed an increase of Rs 2.4 crores. There was a marked increase in the exports to Canada from Rs .6 crores to Rs7.4 crores during 1971-72. African countries like Uganda, Kenya also made purchases during 1971-2. There was improvement in the exports to Vietnam Rep. In the case of USA which is our biggest market, the export increase from Rs. 8.2 crores in 1970-71 to Rs. 8.8 crores while exports to UK increased from Rs 1.7 crores to Rs 2.6 crores. As against this exports to Ceylon, Malaya and Singapore witnessed sizable decline during 1971-72.

The prospects of sizeable exports of sugar for the current financial year seem to be bleak because of substantial decline in the output of sugar and rising levels of internal price. However, efforts should be made to release exports of sugar to the extent possible, even if this involves some curtailment in internal consumption However, the growth of domestic production must be properly planned as to ensure adequate supplies both for the export markets as well as home markets.

Tobacco

The scope for increasing the exports of these products from India is great in view of our potential resources. There was a significant increase in the export earnings of fish during 1971-72 mainly because of favourable price. In terms of quantity, exports during 1971-72 stood at 33.0 thousand tonnes, only 0.4 thousand tonne more than in 1970-71. Despite this modest increase in quantity, the export earnings registered an increase of Rs 10.7 crores from Rs 31.3 crores in 1970-71 to Rs 42.0 crores in 1971-72 which resulted from favourable trend in International price. The unit value of exports during this period (1971-72) was significantly higher at Rs 13,734 a tonne as compared Rs 9595 a tonne a year ago. There was a strong demand from Japan where exports went up by Rs 10.4 crores from Rs 12.0 crores to Rs 22.4 crores during the year under review. The export to USA at Rs 13.0 crores were more or less at last year's level.

The progress of exports in the coming years would depend largely on our ability to increase the quantum of fish catch as well as improvement in quality. In its turn, this would require overcoming difficulties mainly in respect of trawlers, refrigeration facilities, transport arrangements, port facilities etc.

Leather and Leather Manufactures (excl. footwear)

The exports which had suffered declin during 1970-71, showed a marked improvement during the year under review. At a value of Rs 90.8 crores during 1971-72, the exports of these products, were higher by Rs 18.2 crores. This was mainly because of spurt in the exports of E.I. tanned hides and skins which alone recorded an increase of Rs 19.5 crores from Rs 44.8 crores to Rs 64.3 crores as a result of remarkable increase in the offtake by ECM countries particularly Italy and West Germany. The total exports of EI tanned hides and shins to ECM more than doubled from Rs 12 crores to Rs 27 crores. In the case of another important item namely Chrome tanned.

There was decline from Rs 24.5 crores during 1970-71 to Rs 21.8 crores during the year under review largely due to reduced purchases from USSR and other East European countries which account for the bulk of our exports of chrome tanned. Exports of chrome tanned progressed well in the West Europe particularly in ECM countries. The exports of finished leather which had declined by nearly half a crore to Rs 1.5 crores in 1970-71 improved to Rs 3.6 crores during 1971-72.

Our exports are mostly confined to semi-finished products. Since the production of raw hides and skins in the country is more or less in-elastic, increased efforts should be made to export these items more in finished form than in raw or semi-finished form, so that higher unit value may be realised. This would require increased machanisation of our tanning and footwear units and emphasis on quality product.

Items of Decline

Iron and Steel Prime (excl. Ferro-manganese)

The exports registered biggest fall among all items. Exports of iron & steel during 1971-72 amounting to Rs 25.6 crores were lower by as much as Rs 41.7 crores as compared to exports of Rs 67.2 crores recorded in 1970-71. The decline was confined in both the major categories of exports namely bars, rods etc. and pig iron.

With the recession receding, the domestic demand has started picking up in the course of last two years. But due to shortfall in production of steel in the country, there has been acute shortage which in turn affected adversely during 1971-72 not only our exports of steel but also of number of engineering products.

Iron Ore

Export of iron ore during 1971-72 at 19.9 million tonnes valued at Rs 104.7 crores were lower by 1.3 million tonnes and by Rs 12.6 crores as compared to exports in the corresponding period of 1970-71. Our exports to Japan alone, the biggest market, fell by Rs 6.9 crores to Rs 86.3 crores. Export to East European countries together also declined by Rs 2.6 crores to Rs 15.8 crores. The export prices have also been falling from a unit value of exports of Rs 57.34 per tonne during 1969-70, the unit price declined to Rs 55.32 per tonne in 1970-71 and to Rs 52.61 in 1971-72. Several factors seem to have affected the export of iron ore. These included transport bottlenecks in the Eastern Sector, shortfall in production and labour trouble at Madras Port. Besides this, the anticipated increase in iron ore demand by Japan did not nationalise owing to a recession in the Japanese steel industry along with recession in world steel industry. The immediate outlook for increased exports of iron ore is thus considerably dependent on the revival of steel production in countries, like Japan. India is trying to push up her exports of iron ore to East Europe and some other new markets.

The decline in manganese ore by Rs 3.4 crores and in ferro-manganese and alloys by Rs 8.5 crores during 1971-72 is also contributed largely to the factor of recession in steel industry.

Oil Cakes

The decline in the exports of oil cakes was sizeable. From 879.5 thousand tonnes valued at Rs 55.4 crores during 1970-71 the export decline to 742 thousand tonnes, valued at Rs 40.2 crores during the year under review accompanied by a decline in the unit value by as much as 14 per cent. This steep decline in our exports reflected reduced purchases by all our major markets. Exports to Poland fell from Rs 10.0 crores to Rs 6.2 crores and to Czechoslovakia from Rs 6.8 crores to Rs 3.4 crores. The combined off take by the East European countries at Rs 26.5 crores during 1971-72 was lower by nearly Rs 10

crores as compared to Rs 36.3 crores in 1970-71. In the case of Japan the decline was from Rs 9.3 crores to Rs 7.3 crores during the year 1971-72.

The set back in exports of oil-cakes has been attributed to a number of adverse factors, the more important being slump in international prices, competitions from soyabeen meal, higher freight rates and a strong demand in the domestic market. Some facility in the form of development and freight assistance is allowed against the export of groundnut extractions under certain conditions. However, the effective solution for boosting up our exports in this promising item lies in substantial expansion of production in the country.

Cotton Textiles (mill-made)

Cotton piecegoods constitute the biggest item in the category, exports of which during 1971-72 at 382 million metres valued at Rs 66.6 crores were lower than exports of 415 million metres valued at Rs 67.5 crores during 1970-71. Despite a decline of nearly 8 per cent in quantity of cloth exports, the loss in terms of value was little less than Rs 1 crore, due to improvement in the unit value realisation from Rs 1.63 per metre in 1970-71 to Rs 1.74 per metre in 1971-72.

The decline in cotton yarn was comparatively more which fell by Rs 4.8 crores from Rs 20.6 crores during 1970-71 to Rs 15.8 crores. Domestic shortages in India itself and foreign exchange problems facing our main markets like Burma and Ceylon hampered the exports of cotton yarn. However, export of cotton apparel recorded a spectacular increase from Rs 8.6 crores during 1970-71 to Rs 14.0 crores during 1971-72 due mainly to increased demand from markets of West Europe during the period under review.

There was a significant increase in the export of cotton piecegoods to the UK, USA and Sudan, but exports to East Europe, EEC, EFTA (excl. UK) and the Asian Zone recorded sizable decline. One of the major factors responsible for decline in the exports of both cotton piecegoods and yarn was uncompetitive prices of Indian textiles on account of high price of raw cotton.

Unlike last year, prices for cotton, as a result of good crop, are now ruling at levels conducive to export production. In order to improve quality-production, efforts are being made to meet the requirements of exporting mills for imported sophisticated items of textile machinery, subject to availability of foreign exchange. The scheme for export production of garments under custom bond on the basis of imported cloth has been liberalised so that exports of garments is maximised. Concentrated efforts are also being made to bulk orders for cotton fabrics and yarn. However, we will also be required to continue our efforts both through the various International forums and bilateral negotiations to pursuade the industrial countries to liberalise their imports.

Engineering Goods

Over the last two three years, there has been a tendency for the growth of exports in this important sector to slacken. It is disturbing to note that exports of engineering goods from India during 1971-72 at Rs 118 crores not only failed to show any growth but were lower by Rs 12 crores as compared to exports during 1970-71.

The set-back in exports during 1971-72 in this important sector has been attributed mainly to: (i) Decline of certain exports of metal-intensive items because of shortage of steel, (ii) Reduction in intake certain overseas markets such as UAR, because of payment difficulties, (iii) high shipping freight rates, lack of of shipping space and dislocation of shipments due to Indo-Pak hostilities., (iv) Fluctuations in exchange rates caused in the wake of international monetary crisis and (v) Cost price inflation due to high cost of raw materials, and low labour productivity.

Engineering goods constitute a potential sector of growth in our exports. The range of goods exported has shown a fair measure of diversification, specialisation and sophistication. Indian industries have also started entering into Joint Ventures and offering design and consultancy services. The rapid growth of exports of engineering goods in coming years would largely depend on effective solution of problems at production and export levels. The adequate supply of raw material at international competitive price has to be ensured. The Import Policy for the current financial year (1972-73) provides for greater allocations of industrial inputs.

Direction of Exports

India's exports, region-wise during 1971-72 as compared with the previous year are shown below.

(Rs crores)

Region	1971-72	1970-71
America	317.87	245.64
North America	302.49	235.30
Western Europe	326.58	300.30
EEC	124.62	98.62
UK	168.70	170.44
Africa	132.06	139.29
Eastern Europe	343.59	362.43
Asia & Oceania	448.51	487.50
ECAFE	384.92	409.56

It would be seen from the above table that entire increase in India's exports during 1971-72 was confined to the region of America and West Europe, whereas there was a decline in the exports to all the other regions viz., Asia, Africa and Eastern Europe

Our exports to USA rose by Rs 56 crores from Rs 207 crores during 1970-71 to Rs 263 crores during 1971-72. The increase was nearly 27 per cent mainly due to substantial increase in the US off take of jute goods and partly to other items *viz.*, cashew kernels, precious & semi-precious stones, cotton fabrics, coffee etc. Exports to Canada and Latin American were also appreciably higher. In the case of Canada, there was larger exports of jute goods, sugar, cashew kernels.

Most of our increase in exports to West Europe was in respect of ECM. As compared to 1970-71, India's exports to ECM during 1971-72 at Rs 125 crores were higher by 27 per cent. The largest increase took place in the case of Italy, followed by France, West Germany, Belgium etc. A phenomenal increase in the exports of Indian leather to this area was mainly responsile for higher exports to the region. The other items like precious & semi precious stones, tea, coffee., floor coverings etc., also faired better during the year. Among the other West European countries exports to Austria, Switzerland, Norway, and Turkey were higher while those to UK were lower by nearly 1.75 crores.

Exports to East European countres suffered some setback during 1971-72 as the exports to this region at about Rs 344 crores were lower by 5 per cent as compared to 1970-71. Whereas exports to Bulgaria, Czechoslovakia and Hungary registered increase. Exports to USSR, Poland, Yugoslavia, GDR and Romania showed decline. In the case of USSR, the decline was marginal about Rs One crore; exports during 1971-72 being Rs 208.7 crores as against Rs 209.9 crores in 1971-72. The biggest decline to place in the case of East Germany, where the exports declined by Rs 6.6 crores from Rs 24.6 crores to Rs 18.0 crores. The decline in exports to the region of East Europe as a whole has been noted particularly in respect of items like leather & leather manufactures, oil-cakes, coffee, cotton manufactures etc.

India's exports to Africa

registered a decline of Rs 7.2 crores. Exports to UAR fell steeply by Rs 33 crores from Rs 56 crores to Rs 2.3 crores due to foreign exchange difficulties faced by that country. There was a sharp fall in the exports of jute goods and engineering goods to UAR However, exports to Sudan registered a significant increase of Rs 13.5 crores particularly as a result of larger purchases of Indian tea and cotton fabrics.

India's exports to ECAFE registered a decline of Rs 25 crores, exports to Japan alone having declined by Rs 21 crores (from Rs 203 crores to Rs 182 crores) due mainly to decline in our exports of pig iron, iron ore, manganese ore and iron & Steel scrap. Among the other ECAFE countries exports to Ceylon and Iran fell by Rs 10 crores and Rs 7 crores respectively. Exports also declined to Afghanistan, Burma and Hongkong. There was however a good increase in exports to Australia, New Zealand, Republic of Vietnam, Formosa and Nepal. Exports to Republic of Vietnam have developed markedly from Rs 2.0 crores in 1970-71 to Rs 6.3 crores 1971-72.

Survey of Imports (1971-72)

At a level of Rs 1812 crores India's aggregate imports during 1971-72 were higher by nearly 11 per cent as compared to imports during 1970-72. During the year of unuaual strain in economy, a sizeable increase in imports became unavoidable to meet the pressing requirements in regard to raw materials, petroleum & petroleum products and capital goods. Commodity-wise details for the year showed that in absolute terms, the largest increase in imports took place in respect of iron & steel which went up by as much as Rs 91 crores from Rs 147 crores during 1970-71 to Rs 238 crores during 1971-72. This was mainly because of shortages in the supply of indigenous production in the face of rising domestic demand. During the same period petroleum & petroleum products increase by Rs 58 crores, machinery & transport equipment by Rs 58 crores, fertilizers manufactured by Rs 20 crores, cotton by Rs 14.5 crores, and chemical elements & compounds by Rs 4 crores. However, as a result of a comfortable food situation in the country, imports of foodgrains declined by Rs 82 crores from Rs 213 crores There was also decline in the imports of non-ferrous metals by Rs 17 crores.

The table below gives imports by broad commodity groups durng 1971-72 with figures for the corresponding period of 1970-71 and 1969-70

Sources of Imports

Region-wise data showed that as compared to 1970-71, there was a substantial increase in the imports from West Europe and Asia, while imports from regions of America, Africa and East Europe declined. Among the countries of West Europe, the increase in imports from the UK was most pronounced. Imports from the UK alone increased by Rs 90 crores from Rs 127 crores during 1970-71 to Rs 217 crores during 1971-72, mainly on account of larger imports of iron & steel and machinery & transport equipment. The imports from ECM countries increased by Rs 61 crores from Rs 188 crores to Rs 249 crores. Imports from Belgium increased by Rs 23 crores, from France by Rs. 15 crores and from West Germany by Rs 16 crores. The rise in imports from ECM area was mainly confined to machinery and transport equipment, iron & steel and chemical products.

Imports from ECAFE at Rs 361 crores were larger by Rs 97 crores. Japan accounted for the maximum increase, as the imports from this source at Rs 162 crores were higher by Rs 78 crores as compared to imports during 1970-71. The increase in imports from Japan was mainly in respect of iron & steel, machinery and transport equipment, chemicals, and non-ferrous metals. There was also sizeable increase in the imports from Iran which is an important supplier of petroleum.

In contrast with above, there were reduced imports from a number of sources. Our imports from USA declined by Rs 36 crores from Rs 453 crores during 1970-71 to Rs 417 crores during 1971-72; the decline being confined mostly to wheat which fell by Rs 57 crores. The imports of fertilizers crude, and pulp also declined.

Imports from East Europe suffered a decline of Rs 26 crores from Rs 228 crores to Rs 202 crores. Imports from USSR droped by Rs 24 crores from Rs 106 crores to Rs 82 crores.

Machinery other then electric was the most affected item, declining from a value of Rs 50 crores to nearly Rs 31 crores. Imports from Czechoslovakia were also lower as a result of reduced imports of machinery and transport equipment.

Imports from Africa at Rs 144 crores during 1971-72 were lower by Rs 26 crores as compared to imports during 1971-72, mainly on account of imports from UAR, Zambia, Morocco, Uganda etc. The decline in the case of UAR was mainly in respect of rice, raw cotton, rock phosphate etc.

Export Prospects for 1972-73

The Indian Economy is now recovering from the unusual strain of last year. Despite several hampering factors, our exports were able to record an increase of 4.6 per cent over the high levels of exports of 1970-71. In view of the fact that the progress of our exports during the first three years of the Plan is below of the level of Fourth Plan target of 7 per cent annual growth, intensified efforts are required by industry and trade, both in the public and private sector and by several agencies engaged in the task of maximising exports. The performance of exports during the first five months of 1972-73 has been encouraging, export during this period at Rs 756 crores were higher by 18 per cent. On the basis of first-two months figures, exports seem to have done well particularly in respect of Jute manufactures, cotton and woollen textiles, cashew kernels, fish, oil cakes, leather and leather manufactures, pearls and precious stones etc. Given adequate efforts, a significant improvement in the growth rate of our exports can be realised during 1972-73, in both traditional and non-traditional sectors.

Imports: Broad Commodity Groups

(Rs crores)

Commodity	1969-70	1970-71	1971-72
Foodgrains	261.0	213.0	131.2
Cotton	82.6	98.8	113.4
Chemical elements & compounds	67.4	68.0	71.8
Fertilzers mfrd.	77.1	61.2	81.2
Petroleum crude & petroleum products	137.6	135.9	194.1
Iron & steel	81.5	147.0	237.6
Non-ferrous metals	74.5	119.4	101 8
Machinery	344.7	328.2	369.9
Transport equipment	51.2	68.2	84.4
Grand Total of imports (incl. other items)	1582.1	1634.2	1812.0

TABLE I

India's Export of Principal Items

(Value in Rs lakhs)

S. No.	Commodities	Unit	1969-70		1970-71		1971-72	
			Qty	Val	Qty	Val	Qty	Val
1.	Tea	Mil. kg.	174.1	12450	199.1	14825	207.4	15631
2.	Coffee	,,	32.4	1962	32.2	2511	35.7	2207
3.	Tobacco Unmfrd.	000 T	54.3	3271	47.5	3140	57.3	4225
4.	Oilcakes	,,	704.9	4147	878.5	5542	741.7	4015
5.	Cashew kernels	,,	60.6	5742	50.3	5207	60.4	6133
6.	Spices	,,	41.6	3449	46.9	3881	64.7	3618
	(a) Pepper	,,	22.3	1619	17.9	1525	19.3	1483
	(b) Cardamoms	,,	1.2	902	1.8	1134	2.2	820
7.	Fish	,,	29.5	3083	32.6	3128	33.0	4192
8.	Sugar	,,	82.3	856	348.1	2757	315.9	3003
9.	Lac	,,	16.7	477	13.3	500	13.7	659
10.	Raw cotton	,,	36.0	1469	32.1	1395	32.1	1664
11.	Raw wool	,,	7.4	413	6.9	411	5.3	342
12.	Iron ore	Mil. T.	16.5	9462	21.2	11728	19.9	10470
13.	Manganese ore	000 T	1159.6	1106	1636.4	1398	1046.8	1069
14.	Mica	Mil. T.	24.0	1523	26.7	1556	22.8	1538
15.	Iron & steel scrap	000 T	420.4	894	260.9	695	146.0	200
16.	Cotton piecegoods (millmade)	Mil. sq. mts.	410.4	6244	414.5	6750	382.0	6663
17.	Cotton piecegoods (handloom)	Mil. mts.	26.9	725	27.9	779	28.7	995
17.	(a) Cotton yarn	Mil. K.g.	39.4	3035	22.9	2059	14.8	1578
18.	Fabrics of artsilk & synthetic fibre & spun-glass	,,	15.1	359	19.7	526	25.0	749
19.	Cotton apparel	Value	—	548	—	862	—	1399
20.	Coir yarn & mfrs.	000 T	54.0	1341	49.0	1300	46.6	1342
21.	Jute mfrs.	L tonne	5.7	20665	5.61	19044	6.71	26528
22.	Leather & leather mfrs.	Val.	—	8154	—	7218	—	9077
	(a) E I tanned hides & skins	Mil. kg.	19.6	4976	19.6	4475	25.7	6427
	(b) Chrome tanned	,,	13.2	2720	13.8	2450	14.4	2177
23.	Iron & steel prime excl. Ferro-maganese & Ferro-alloys**	Value	—	6450	—	6720	—	2558
24.	Footwear excl. rubber footwear	Mil. pairs	12.4	902	13.0	1125	15.4	1161
25.	Engineering goods**	Value	—	10218	—	13041	—	11836
26.	Ferro-manganese & Ferro-alloys	000 T	123.7	959	98.6	1139	31.7	294
27.	Chemical & allied products	Value	—	2219	—	2936	—	2758
28.	Rubber mfrs. incl crude rubber	,,	—	493	—	705	—	766
29.	Handicrafts	,,	—	7329	—	6966	—	8174
	(a) Pearls, precious & semi-precious stones	,,	—	4388	—	4188	—	5151
	(b) Handmade carpet druggets	,,	—	1166	—	1057	—	1235
Grand Total Incl other items and re-exports		Value	—	141328	—	153516	—	155861*

Source: D G C I & S, Calcutta

*This excludes substantial exports (approximately Rs 38 crores) to Bangladesh for which commodity-wise breakup is awaited.

**Certain items of manufactures of iron and steel which used to be included in iron and steel have been shifted and added to engineering goods from the year 1971-72. The previous years figures of both iron & steel and engineering goods have been adjusted on the basis of this classification

TABLE II

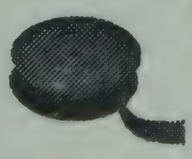
Unit Value of Principal Items of Exports

S. No.	Items	Unit	April-March					
			1971-72			1970-71		
			Qty	Value (Rs lakhs)	Unit	Qty	Value (Rs lakhs)	Unit
1.	Tea	M. Kg	207.4	15631	7.54	199.1	14825	7.45
2.	Jute mfrs.	L. Tonnes	6.71	26528	3953.50	5.61	19044	3394.65
3	Cotton piecegoods (mill-made)	M. Mets.	382.2	6663	1.74	414.5	6750	1.63
4.	Cashew kernels	000 T	60.4	6133	10153.97	50.3	5207	10351.89
5.	Oil cakes	,,	741.7	4015	541.32	878.5	5542	630.85
6.	Tobacco unmfrd.	L. Kg.	57.3	4225	7 37	47 5	3140	6 61
7.	Pepper	000 T	19 3	1483	7683.94	17.9	1525	8519.55
8.	Cardamoms	,,	2.2	820	37272.73	1.8	1134	63000.00
9.	Cotton Yarn	Mill. Kg.	14.8	1578	10.66	22.9	2059	8.99
10.	Artsilk fabrics	M. Mets.	25.0	749	3.00	19.7	526	2.57
11.	Coffee	L. Kg.	35.7	22.0	6.18	32.2	2511	7.80
12.	Iron ore	Mil T.	19.9	10470	52.61	21.2	11728	55.32
13.	Manganese ore	000 T	1046.8	1060	101.26	16364	1398	85.43
14.	Mica	M. Kg.	22.8	1538	6.74	26.7	1556	5.83
15.	Raw wool	000 T	5.3	342	645.83	6.9	411	5956.52
16.	Fish	,,	33.0	4199	12724.24	32.6	3128	9595.09
17.	E.I. tanned hides & skins	M. Kg.	25.7	6427	25.01	19.6	4475	22.83
18.	Sugar	000 T	315.9	3003	950.62	348.1	2757	792.01
19	Cotton raw	,,	32.1	1664	5183.80	32.1	1395	4345.79
20	Cotton piecegoods (handloom)	M. Mets.	28.7	9.95	3.47	27.9	779	2.79

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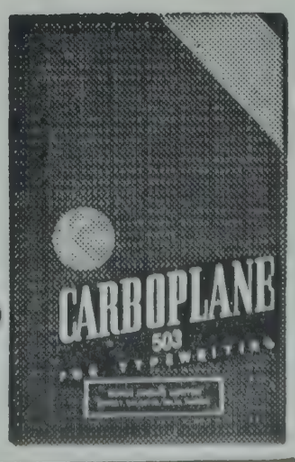
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TABLE III

Direction of India's Export Trade by Economic Regions and Principal Markets

(Value in Rs lakhs)

S. No.	Region/Major Countries	April-March 1971-72	April-March 1970-72	Rise (+) or fall (—) in 1971-72 over 1970-71
	I. Africa	132.06	139.29	—723
	1. Kenya	7,89	7,87	+2
	2. Nigeria	9,89	8,62	+1,27
	3. Sudan	51,80	38,27	+13,53
	4. Tanzania, United Republic	4,14	4,40	—26
	5. United Arab Rep.	23,07	56,37	—33,30
	II America	317.87	245.64	+72.23
	(i) **North America**	302,49	235.30	+67.19
	1 Canada	39,41	27,96	+11,45
	2. USA	263,08	207,34	+55,74
	(ii) **Latin America**	12,58	8,31	+4,27
	(iii) **Other American Countries**	280	2,03	+77
	III. Asia and Oceania	448,51	487,50	—38,99
	(i) **ECAFE**	384,92	409,56	—24,64
	1. Afghanistan	984	14,15	—4,31
	2. Australia	28,00	24,46	+3,54
	3. Burma	10,78	14,03	—3,25
	4. Ceylon	21,24	31,82	— 10,58
	5. Hongkong	15,79	17,17	— 1,38
	6. Iran	19,75	26,65	— 6,90
	7. Japan	182,27	203,48	— 21,21
	8. Korea Rep. of	6,30	2,01	+4,29
	9. Nepal	28,44	23,47	+4,97
	10. New Zealand	10,29	5,97	+4,32
	11. Singapore	17,60	17,63	—3
	(ii) **Other Asian & Oceanian Countries**	63,59	77,94	—14,35
	1. Iraq	10,00	9,63	+37
	2. Kuwait	10,73	15,74	—5,01
	3. Saudi Arabia	11,13	14,51	—3,38
	IV. East European Countries	343,59	362,43	— 18,84
	1. Bulgaria	15,48	9,58	+5,90
	2. Czechoslovakia	30,49	29,46	+10,3
	3. German Democratic Rep.	17,97	24,56	— 659
	4. Hungary	15.52	13,78	+1,74
	5. Poland	19,91	22,14	—2,23
	6. Rumania	11,14	13,70	—2,56
	7. USSR	208,70	209.85	— 115
	8. Yugoslavia	24,37	39,36	— 14,99
	V. West Europe	326,58	300.30	+26,28
	(i) **ECM Countries**	124,62	98,62	+26,00
	1. Belgium	24,33	20,33	+4,00
	2. France	24,21	17,98	+6,23
	3. Fed. Republic of Germany	37,10	32,31	+4,79
	4. Italy	24,22	14,01	+10,21,
	5. Netherlands	14,76	13,98	+78
	(ii) **EFTA Countries**	188,84	189,38	— 54
	1 UK	168,70	170,44	—174
	(iii) **Othe European Countries**	13,12	12,30	—82
	Grand Total of Exports (incl. re-exports)	1568,61*	1535,16	+33,45

*This excludes substantial exports (approximately Rs 38 crores) to Bangladesh for which commodity-wise details are still awaited.

TABLE IV

Direction of India's Import Trade by Economic Regions & Major Countries

(Value in Rs lakhs)

S. No.	Region/Major Countries	1971-72	1970-71	Rise (+) or fall (—) in 1971-72 over 1970-71
	I. Africa	143,77	169,84	— 26,07
	1. Congo People's Republic	1,50	1,36	+14
	2. Ghana	54	2,77	— 2,33
	3. Kenya	17,69	9,69	+8,00
	4. Morocco	1,98	7,52	—5,54
	5. Sudan	25,32	20,94	+4,38
	6. Tanzania, United Republic	18,47	17,64	+83
	7. Uganda	2,95	7,74	—4.79
	8. UAR	33,32	39,84	—6,62
	9. Zambia	20,94	27,26	—6,32
	II. America	536,00	586,02	—48.37
	(i) **North America**	529,33	570,19	—50,02
	1. Canada	112,81	117,24	+4,43
	2. USA	416,52	452,95	—36,43
	(ii) **Latin America**	5,74	14,26	—8,52
	1. Agrentina	13	4,08	—3,95
	2. Brazil	1,64	3,57	—1;93
	(iii) Other American Countries	93	1,57	—64
	III. Asia & Oceania	424,02	300,18	+123,84
	(i) ECAFE	361,32	264,37	+96,95
	1. Australia	29,39	36,58	—7,19
	2. Burma	5,87	9,64	—3,77
	3. Iran	126,36	91,64	+34,72
	4. Japan	161,57	83,43	+78,14
	5. Nepal	10,27	9,44	+83
	(ii) **Othe Asian & Oceanian Countries**	62,70	35,81	+26,89
	1. Kuwait	13,04	5,62	+7,42
	2. Saudi Arabia	38,34	24,17	+14,17
	IV. East European Countries	201,75	227,65	— 25,90
	1. Buigaria	13,81	15,48	— 1,67
	2. Czechoslovakia	10,17	20,20	— 10,03
	3. German Democratic Rep.	20,24	18,63	+1,61
	4. Hungary	8,68	14,95	—6,27
	5. Poland	49,57	28,03	+21,54
	6. Rumania	13,30	16,58	— 3,28
	7. USSR	81,66	106,13	— 24,47
	8. Yugoslavia	4,33	7,65	—3,32
	V. West Europe	500,11	350,51	+149,60
	(i) **ECM Countries**	249,32	188,40	+6,092
	1. Belgium	34,31	11,51	+22,80
	2. France	36,10	21,33	+14,77
	3. German Federal Republic	123,90	107,47	+16,43
	4. Italy	24,41	28,86	— 4,45
	5. Luxemburg	Negl.	13	— 13
	6 Netherlands	30,59	19,09	+11,50
	(ii) **EFTA Countries**	246,77	156,02	+90.75
	1. Sweden	12 65	9,80	+2.85
	2. Switzerland	7,83	11,57	—3,74
	3. UK	216,86	126,76	+90,10
	(iii) **Other European Countries**	4.02	6.09	+2.07
	Grand Total of Imports (incl. value of articles under reference)	1812,02	1634,20	+177.82



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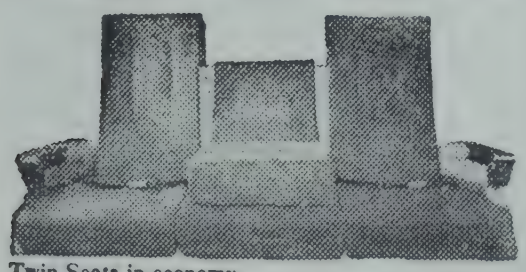
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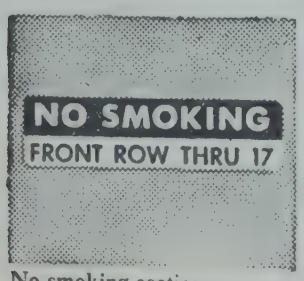
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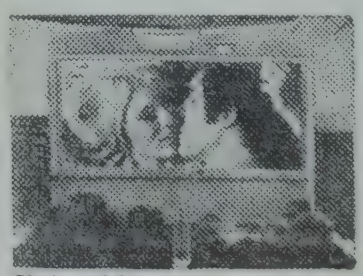
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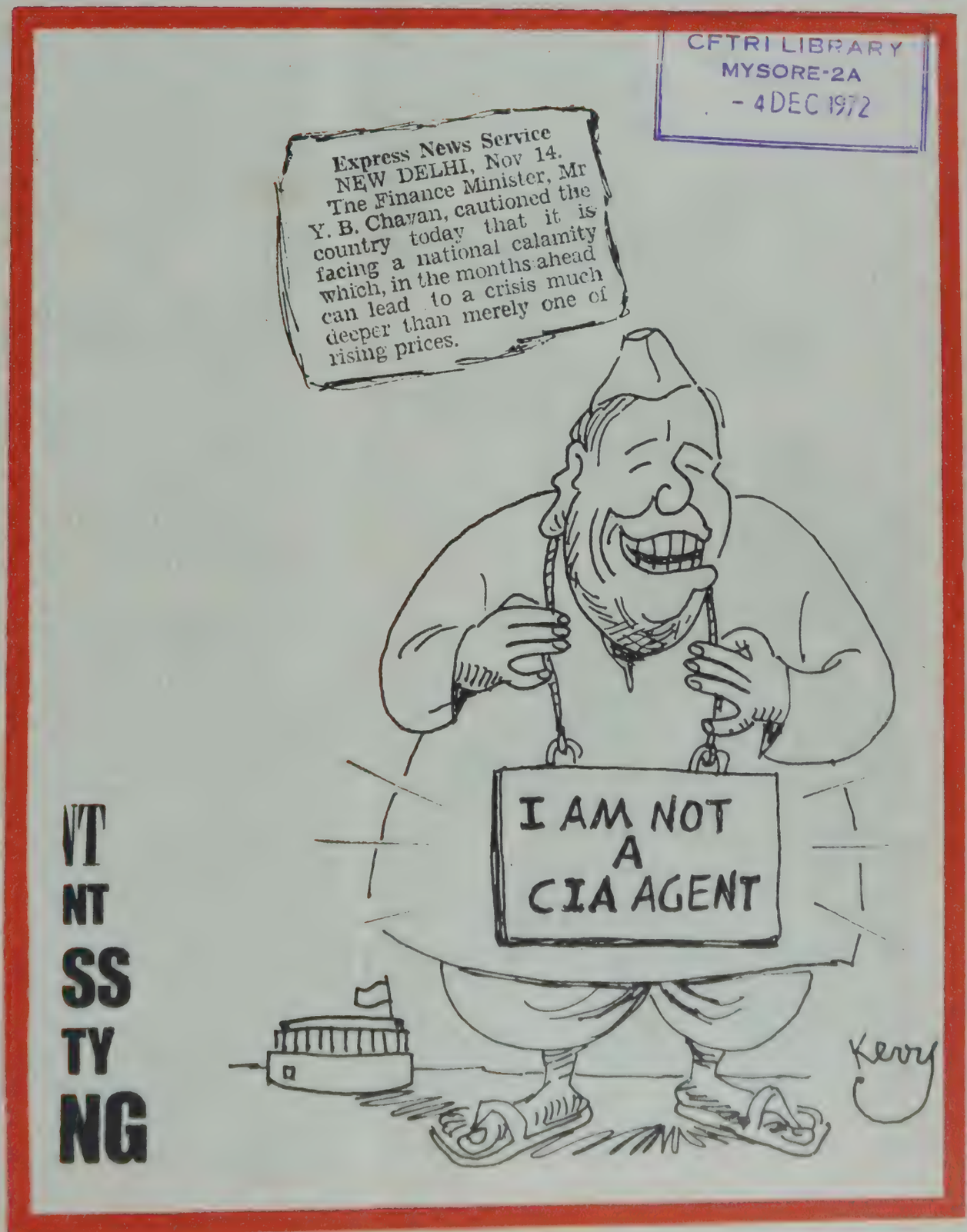
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Mixture as before

FOR A GOVERNMENT supposedly becoming more pragmatic about planning or the management of the economy, the proceedings of the latest meeting of the Central Advisory Council of Industry constituted no favourable advertisement. In spite of the fact that industrialists generally find so much to approve of in the attitude and approach of the Minister for Industrial Development, Mr C. Subramaniam, the government was once again at the receiving end of criticism and complaint. It is true, no doubt, that spokesmen for the industry, for the most part, dished out familiar complaints in a familiar way, but there was surely, a new note of urgency or even acerbity in some of the more direct attacks on government policy.

Mr J.R.D. Tata, for instance, was uncharecteristically strident in deprecating a situation in which "we seem to have entered an era of downright confiscation and appropriation." His concern is natural for reasons which are quite obvious and there can be no doubt that many big business houses or industrialists controlling vulnerable—because large and tempting—enterprises share his anxiety over certain acts of runaway radicalism on the part of the government in the recent past. Mr Tata mentioned the nationalization of general insurance and here is an interesting demonstration of the gap which divides the government's order of priorities from that of its business critics. A few days ago, in the Lok Sabha, the Finance Minister, while defending high levels of government expenditure even in the prevailing inflationary context, justified the diversion of government revenue towards such exercises as the taking over of general insurance from private ownership or management, as a legitimate act of investment. Mr Chavan, evidently, is not prepared to concede that the expenditure of public funds on the nationalization of general insurance has not made for any net addition to the productive assets of the community and it follows that he is unlikely to be impressed by complaints about inadequate or unfair compensation since he is apparently rejoicing in his virtue of making investments for the state as cheaply as possible.

In these circumstances, the Minister for Industrial Development could not very well have been expected to make any reassuring noises in response to Mr Tata's protest. The plain fact is that, despite the Prime Minister's declaration that her government does not believe in nationalization for the sake of nationalization, the taking over of industrial or commercial businesses has been and is being decided upon mainly in the light of political considerations and it has by now become clearly established that the business community and the investing public will have to live with the recurring possibility of abrupt and more or less arbitrary decisions about nationalization of industrial properties or the terms of compensation for dismissed managements or dispossessed shareholders. To this extent, the relations between government and industry are bound to remain uneasy and there is clearly no wisdom in any one pretending that this is not so.

Whether the government would be more forthcoming in building bridges of understanding and constructive working relations with industry in other areas of contact is a question to which it is perhaps possible not to return a wholly pessimistic answer. On the issue of licensing, for instance, Mr Subramaniam, apparently, is prepared to agree that, even if he must insist on policy remaining sacrosanct, administration at least could be made more rational. It is to be hoped that here, for once, he speaks effectively for the government; the Prime Minister herself seems to be on the side of a scientific and therefore sensible approach to improvements in the bureaucracy's handling of licensing and allied tasks. The President of the Federation of Indian Chambers of Commerce and Industry, Mr Madanmohan Mangaldas, and the persuasive, but no less emphatic Mr S. N. Hada pleaded with the minister that the government should rescue its licensing apparatus from being smothered by its own garbage, a demand which the Prime Minister and her colleagues should find easy to accept if they are in earnest about restoring the government's credibility as a positive and purposive agent of recovery and recuperation from the current inflationary stagnation.

Meanwhile it is rather difficult to appreciate the smugness in Mr Subramaniam's remark that, although industrialists do dissent and protest, they ultimately find the wisdom to adjust themselves to the government's policies. It is precisely this kind of "take it or leave it" attitude which is forcing the national economy to forfeit its opportunities of dynamic growth with the full participation of all its potential forces of expansion and is compelling even urbane but far from uninvolved observers, such as Mr A.N. Haksar, to reflect very nearly bitterly on the capacity of this government to cultivate most laboriously mistrust of its intentions or actions among the business community.

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Taxing farm holdings

THERE CAN be no two opinions on the need to draw upon the growing prosperity in the agricultural sector for financing developmental efforts. Nor can there by any difference of opinion on injecting progression in the taxes on farm holdings, The richer amongst us, whether they belong to the peasantry, industry, trade or professions, have to share the burden of development in a larger measure than those belonging to the less affluent sections. But is this aim going to be achieved through the recommendations of the Raj Committee report on taxation of agricultural wealth and incomes, which was submitted to the union government recently?

The committee has made two main recommendations. The first is the introduction of a tax on agricultural holdings (AHT). The second is the integration of incomes from both agricultural and non-agricultural pursuits with a view to determining the marginal rate of income-tax on non-agricultural incomes, This arrangement, the committee feels, would not involve any amendment of the Constitution which would be required if taxation of agricultural and non-agricultural wealth and incomes is completely integrated, which, of course, would be the ideal position. The introduction of a tax on agricultural holdings by states and partial integration of agricultural and non-agricultural incomes by the centre would keep the states in the picture, thus obviating constitutional amendment; taxation of farm incomes at present is within the purview of the state government.

To be implemented in two stages, the AHT scheme is expected to yield a net additional revenue to the state governments (after offsetting the loss of land revenue and proceeds from the various cesses presently in force) to the order of Rs 150 crores per annum in the first stage and Rs 200 crores annually on the completion of the second stage. In the first stage, operational holdings of a family, consisting of husband, wife and minor children, which have a ratable value of Rs 5,000 or above are to be taxed. This minimum limit is to be reduced to Rs. 2,500 in the second stage. Smaller holdings are also to be brought within the purview of AHT in this stage in a phased manner. The difference between the taxing of holdings the ratable value of which is Rs 2,500 or above and those with ratable value less than Rs 2,500 will be that whereas the tax on the farmer will be assessed annually according to the formula specified by the committee, the smaller holdings with ratable value between Rs 600 and Rs 2,499 will be assessed on a five-year basis and the holdings with ratable value less than Rs 600 would be liable to pay AHT at a flat rate of one rupee per holding per annum. The extension of the AHT scheme to holdings of small ratable value, however, is to be done at the discretion of the state governments. If AHT is imposed on all holdings which have ratable value of less than Rs 2,500 but not less than Rs 600, which are to be exempted, the total net additional yield should be even more than Rs 200 crores annually.

Besides enabling the state governments to mobilise larger revenues from the agricultural sector for developmental efforts, the tax on agricultural holdings is a definite improvement over the current direct imposts on agriculturists. It will not only rationalise and consolidate the various direct taxes on agriculture—land revenue, surcharges, cesses and agricultural income-tax in some states—but also introduce at least some progression in direct taxation on farm incomes and property. The incidence of AHT is directly related to the size of the holding.

In suggesting that AHT payable by an agricultural family should be computed on the basis of its operational holding, the Raj Committee, however, has left a big loophole in this taxation measure. The operational holding has been defined as "(i) land owned by the farm operator; (ii) minus any part of it leased out by him (or mortgaged out with possession) to another operator; and (iii) plus any land he may have leased in (or mortgaged in with possession) from another owner provided the area of land leased out which is allowed for in (ii) and the area of land leased in which is allowed for in (iii) are properly registered according to the provisions of the tenancy legislation in each state". Besides administrative convenience, the adoption of this basis for AHT, the committee thinks, will discourage illegal or concealed leases of land because if a landowner leases out land without getting it duly registered, he will be liable to pay AHT on the same. The exemption of the land leased out by an agricultural family from AHT can be abused, particularly in first phase of the implementation of the scheme, by the farmers having large holdings through leasing out part of their holdings to near relatives, especially major sons, whose holdings are small.

The success of the AHT scheme, will also depend to a large extent on the efficiency and integrity of the administrative set-up charged with its implementation. The scheme envisages demarcation of the entire agricultural land in the country into a substaintially large number of districts/tracts with identical or near-homogenous climatic and soil characteristics so that the incidence of AHT is made uniform in the entire country. Norms of output of different crops per hectare are to be worked out each year on the basis of the yield estimates for the previous 10 years. These are to be valued at the relevant harvest prices of the preceding three years. The state governments are required to notify the markets and post-harvest marketing periods relating to each crop in each district/tract and arrange to collect, record and publish the relevant prices on a regular basis. Allowing for the normal expenses of production, the notional ratable value will be arrived at. Some allowance will then be made for development of land and the tax would be computed according to the formula suggested by the committee.

The evolving of norms of production of various crops in the different parts of the country has to be done by the state governments on which the pressure of the affluent sections of the agricultural community is not insignificant. The fate of land reform measures as well as the attempts at imposing betterment levies have met in the past is common knowledge. Only time will show whether the politicians at the state level will be able to stand up to this pressure. Unless they do so, the AHT scheme cannot be expected to succeed.

The farm lobby can as well be expected to do its best to keep the norms of production as low as possible, especially when the task of fixing the norms is to be performed by the governmental machinery. It would have been much better if this task had been entrusted to agricultural universities. This would have fitted in with the committee's recommendation that for annual reviews of the norms of production subsequent to their initial fixation, a standing All-India Committee on Agricultural Holdings Tax, consisting of a non-official economist, an official with experience of revenue administration at the state level and a technical officer who is or has been a director of agriculture in a state, should be appointed by the Planning Commission.

The integration of agricultural and non-agricultural incomes for the purposes of determining the marginal rate of income-tax of the non-agricultural taxpayers should help in checking income tax evasion. The introduction of AHT should also fill up gaps in our farm statistics. But it will be presumptuous to assume that through the implementation of the Raj Committee's recommendations the disparity between the taxes on the

agricultural and non-agricultural sections of our society will be bridged to any great extent. The AHT rates suggested by the committee obviously are much lower than the tax rates applicable to non-agricultural incomes.

Tamil Nadu : power bottleneck

POWER PLANNING is causing considerable headache to those in the management of the state electricity boards because of their failure to anticipate correctly the growth in demand for electricity and the different emphasis laid at different stages on the creation of generating capacity and on the augmentation of distribution facilities. The Tamil Nadu Electricity Board cannot be blamed for inaction and lack of imagination until recently. For, thanks to the implementation of a large number of hydel projects in quick succession in the second and third Plan periods and in the subsequent annual plans and the expansion of capacity of the Neyveli thermal station, there was no shortage of power especially as sizeable purchases could also be made from Mysore and Kerala.

The recent developments, however, have conspired to create difficulties for Tamil Nadu. The Neyveli station has not been able to use even 50 per cent of its capacity due to the shortage of lignite while the Ennore thermal station, which will have a capacity of 440 mw before the middle of the next year has been encountering serious problems in regard to the availability of cooling water in adequate quantities because of the difficulty in clearing the sand bar. This question is being attended to on an emergency basis and it is hoped that satisfactory arrangements will be completed in the next few months for pumping the required quantities of sea water into the pond area serving the thermal station. At the same time efforts are being made to convert two boilers of 50 mw each for using furnace oil instead of lignite as it is now appreended that the acquisition of additional mining machinery will take some time and lignite raisings cannot be on the desired scale for another year or two.

The compulsions to use existing thermal capacity effectively in order to prevent a further curtailment of power consumption in the next few months have been responsible for the latest decision of the Planning Commission to permit the use of furnace oil in two boilers at Neyveli after the necessary modifications had been completed by the High Pressure Boiler Plant authorities at Tiruchirapalli. While an increase in the generation of the electricity will certainly be helpful in preventing a bigger cut in consumption and a serious decline in industrial production, it is amusing to note that the Planning Commission of the union Ministery of Steel and Mines did not recognise the importance of initiating measures for overcoming the difficulties encountered in mining operations. If the expenditure of Rs 10 crores now proposed to be incurred for increasing the output of lignite to 4.5 million tonnes had been sanctioned two or three years earlier the heavy losses suffered by the Neyveli Lignite Corporation could have been avoided and there would not have been also that depletion in the storage of hydel reservoirs that has taken place, notwithstanding the failure of this year's south-west monsoon. The delay has actually resulted in a larger outlay on foreign exchange as the modifications to the boilers alone may cost a sizable amount while imports of 2.5 lakh tonnes of furnace oil for two boilers annually will require foreign exchange expenditure of nearly Rs 3 crores.

The present difficulties may be got over with some patchwork. But future planning has to be on an ambitious scale and on a continuing and regular basis. The task force on power and fuel appointed by the Tamil Nadu Planning Commission has failed to recognise the seriousness of the situation that may arise before the end of the fifth Plan if additional thermal capacity is not created in a massive manner. It has been of course emphasised that high priority should be accorded to the completion of the spill over schemes which will result in the creation of additional hydel capacity for 515 mw. But no time-table has been set for the creation of thermal capacity on a defined basis. The Ennore thermal station will of course be expanding its capacity to 553 mw with the addition of a third 110 mw set. The Kalpakkam atomic power station also may be commissioning its two units of 235 mw. each in 1975-77. These two schemes will between themselves result in firm availability of 375 mw. By the end of the fifth Plan, however, the demand is expected to be 2700 mw requiring a capacity of at least 4000 mw. This will mean that even with the completion of the spillover schemes and the commissioning of the fifth set in Ennore and the two units at Kalpakkam, new capacity for about 1000 mw would have been created. The fifth Plan hydel schemes may not yield more than 400 mw. even if they were expeditiously completed. What is more, there may be a serious gap in the early years of the fifth Plan if there are delays in completing the spillover schemes and initiating work on the fifth Plan hydel scheme. Apart from the shortfall in capacity which has to be filled by the construction of thermal stations, there will have to be a proper understanding of the priorities for the different schemes. As the Tamil Nadu State Electricity Board has plans for constructing two thermal stations as Tuticorin and Mettur with a capacity of 730 mw it will have to be decided that these schemes are taken up immediatly and completed within three years. It should also be accepted that the ultimate capacity of the Tuticorin and Ennore thermal stations should be 1000 mw each. Early action should also be taken for opening the second mine cut at Neyveli for supporting another super thermal station with a capacity of 1000 mw. Nearly a decade will be needed for completing this scheme. Unless the centre gives the clearance to this scheme as a fifth Plan project tangible benefit may not be derived from the source even by the end of the fifth Plan.

Some hydel schemes having a capacity of around 1000 mw including inter-state schemes will remain to be implemented in the sixth Plan. With these projects even the uneconomic hydel potential from present standards, which would become economic in the light of later developments, would have been fully exploited and future progress will depend on new thermal capacity based on nucleur fuel particularly. Power planning has therefore to be on a continuing basis and there will also have to be suitable changes in the content of planning in the light of subsequent developments. There is no doubt, however, that the demand for power will remain unsatisfied in the forseeable future and it would be adventageous for all the four states to pool their resources and spend them in the most economical manner. It is needless to emphasise that the co-ordinated construction of hydel and thermal projects in the region will enable a better use of available resources. The hydel potential of Mysore and Kerala can be more profitably and quickly exploited instead of paying attention on the execution of numerous small schemes. If Andhra Pradesh and Tamil Nadu lay emphasis on the completion of mammoth thermal projects and Mysore and Kerala on important hydel schemes, the power needs of the region can be effectively served without inflating unduly generation costs. The importance of integrated power planning and operations cannot be exaggerated.

Indo-Iraq co-operation

A GOOD deal of ground is understood to have been covered during the 10-day deliberations here last month between an Iraqi delegation, led by Mr Sabah Kachachi, and an Indian team of officials, led by Mr M. S. Pathak, member, Planning Commission, for the conclusion of a comprehensive agreement between the two countries on economic and technical co-operation. The agreement is expected to be signed this month when the Minister for Planning in the government of Iraq, Mr Jawad Hasim, visits New Delhi. All the remaining loose ends would be tied up by then.

This development is not unexpected. One of the basic principles of our foreign policy since independence has been to befriend the Arab nations. Besides the historical ties which we have had with them through the ages, cordial relations with these countries are considered essential on economic considerations. The economies of the Arab countries and that of ours are complementary to each other to a great extent. We have to import crude oil in large quantities. The best and the cheapest source of these imports is West Asia. The oil-rich Arab nations have to foster their economic development. We can assist them in many ways. There is also a good scope for trade between our country and the Arab nations.

In the case of Iraq, however, two other recent developments appear to be primarily responsible for it trying to come close to us. The first is the difficulties the government of Iraq is experiencing in exporting crude oil from the concessions of the Iraq Petroleum Company (IPC), which was nationalised a few months ago. It is, therefore, seeking alternative markets for this crude oil. Taking advantage of the anxiety of our government to diversify the sources of our crude imports, it has already contracted to supply to us about 6 million tonnes of crude by 1975. The second development is the reported Comecon membership secured by Iraq and the treaty of friendship and co-operat on which we signed with the Soviet Union last year.

As the consultations of the last month show, there is a vast field in which Iraq and our country can co-operate with each other. Iraq is understood to have offered to make available to us sizeable quantities of crude oil annually over and above the commitments already made by it. This should enable us to meet the requirements of the proposed Mathura refinery from a source from where our imports of crude have been nil till lately. This will be a breakthrough in our efforts to have direct contacts with the petroleum producing nations. Besides crude oil, Iraq has offered to supply us fairly large quantities of sulphur which we import at present from various other sources.

To offset the drain on our foreign exchange resources which would have been inevitable had Iraq insisted on cash, or even deferred payment for its oil and sulphur exports to us, an understanding is said to have been reached during the last month's confabulations that the trade between the two countries should be on a balanced basis. This implies that we will be able to meet a part of our requirements of crude oil and sulphur through exports of our goods and services. It is, however, not yet clear how imbalance in the trade between the two countries will be adjusted on a yearly basis, should this imbalance arise.

In recognition of the fact that we are now in a position to offer to the developing nations technical services in many fields, Iraq is understood to have sought our assistance in the spreading of its railway network. Already a team of officials from here has surveyed for the government of Iraq a railway project. The execution of this project should get expedited with the signing of the agreement on economic and technical co-operation between the two countries this month. It should help in stepping up the exports of railway equipment from this country.

The more significant, however, is our goverument's offer to Iraq to assist it in such other fields as the setting of power, steel and other industrial plants and development of agriculture, irrigation and drainage. Training facilities for Iraqi technicians and other personnel have also been offered by us.

The fairly large number of joint ventures which our entrepreneurs are setting up in Africa and south-east Asia should enthuse confidence in the government of Iraq about our competence to assist the developing nations in their industrialisation programmes. The requirements of most of these countries are such — the setting up of medium scale and conventional industries — that our technical assistance should suit them most. Our competence to supply technical assistance to the developing countries in the small-scale industrial sector is already well recognised. Even the UNDP is increasingly utilizing the services of our experts for this purpose,

But apart from conventional industries, we have developed considerable competence in oil technology and the allied fields like the manufacture of fertilizers. Iraq obviously should be greatly interested in this technology of ours. We can well share with Iraq oil exploration in that country to mutual advantage. We can also have joint fertilizer manufacturing programmes. This country can further provide many investments avenues for the surplus funds which should accrue to Iraq from its oil resources, as in any other West Asian oil-rich country. Saudi Arabia is seeking investment opportunities for its oil revenue surpluses in the United States. Iraq can well have these opportunities nearer home.

Our experience in the fields of agriculture, irrigation and drainage too should be of significant interest to Iraq for the conditions there do not vary much from those obtaining on this country. Our green revolution has much to offer to the developing countries in our neighbourhood.

The Indo-Iraq agreement, thus, can be of great mutual advantage. It should set another good example of co-operation not only on a regional basis but also between two developing countries.

Eastern Economist 25 Years Ago

NOVEMBER 28, 1947

The situation in Viet-Nam continued to be troubled. In and around Hanoi, French forces in the middle of the month gained considerable successes, and regular plane flights from Hanoi to Saigon were established. In the South, General Nguyen Xuyan, and Annamite officer in the French Army, was elected President of Cochin-China in the beginning of the month. The future relationship of Cochin-China with the Viet-Nam continues however to be an unsolved problem and disturbances in the area continue to be widespread. France Viet-Nam an influential non-political organisation in Saigon, passed a resolution on the 14th October, appealjng to France to terminate hostilities, and to sign an enduring peace pact with the Viet-Namese leaders. But nothing tangible could be done during the month. The double assassinations on the 20th October—Of Nguyen Van Sam, leader of the Viet-Nam United Nationalist front near Saigon in the South, and of Dr Truong Dinh Tri, President of the French-sponsored administration in Hanoi—have added to the difficulties of a settlement. The economic consequences of these unsettled political conditions are plain. At a meeting of the South-East Asia Liaison Officers' Food Conference in the beginning of October 1947, it was made clear that Indo-China was in no position to export rice.

FAO : looking ahead

S. P. Chopra

THE 11 day regional conference of Food and Agriculture Organisation (FAO) for Asia and the Far East held recently in the capital covered familiar ground. As was expected, the recent trends in world agriculture discussed in the annual report of the FAO were highlighted by the participants. Dr A.H. Boerma, Director General of FAO, painted a pessimistic picture regarding the production of foodgrains in developing countries which had dropped to between one and two per cent in 1971. As the population of these countries rose by more than two per cent a year, the emergence of shortages of foodgrains in some areas was feared. Dr Boerma laid emphasis on the need for curbing the growth in population in Asia and the Far East region and in his view, if this was not done the human suffering in this region would be aggravated beyond endurance.

colossal disparity

The existence of colossal disparities in the economic strength of the rich and the poor countries was deplored by Mr Fakhruddin Ali Ahmed, the union Minister for Agriculture. He said that free competition could work only between equals or near equals. FAO's surveys had indicated that the impoverishment of the poor and handicapped nations was continuing and was nullifying their struggle for improving their lot. He expressed the hope that institutional changes– whatever the expression may mean—at the international level would help to improve the situation. President V. V. Gri regretted the world-wide tendency to dissipate attention and energy with remote issues such as man's walk on the moon while realities on the earth continued to be bitter and bleak. He drew pointed attention to the current rate of economic growth in the developing countries which is still far from satisfying. He had a word of praise for FAO which had displayed "a high sense of sincerity in struggling to relieve the world from hunger and malnutrition." Rightly he insisted upon the need to see the second UN Development Decade through to a success.

Mr T. P. singh, Secretary in the union Ministry of Agriculture in this country surveyed the progress of Indian agriculture during the last six years which he described as a period of dynamic growth. He gave details in regard to wheat production in this country which had touched a new peak. He also cited the special efforts which were being made to raise the production of other commodities. Mr Singh said that this country was prepared to share its knowledge and facilities with other countries; simultaneously he hoped that it would be possible for India to take advantage of the agricultural advances made in other countries either in this region or outside.

farm exports

Mr Singh felt alarmed at the fall in the share of the Far East in world trade in agricultural exports. Citing a study made by FAO he said that the share of the agricultural trade of this region had fallen from 15.6 per cent in 1960 to 10.3 per cent in 1971. This was not a very happy situation because the countries in this region depended on agrilcultural commodities for earning foreign exchange. What was worse, the FAO study indicated that the future prospects for the exports of a number of commodities from this region, namely, tea, jute, copper, rubber, oilseed cake and foodgrains were not bright at all.

According to the study, the estimated net export balance of the region from agricultural commodities for 1970 was $ 1371 million which was likely to rise to $ 1460 million only in 1980. This was surely too small to meet the foreign exchange requirements of regional agricultural development programmes. The basic reason for this slow growth in earnings is that the major exportable agricultural commodities such as cereals, sugar, tea and jute are expected to be surplus in the world market by 1980. The countries in the region would be at a disadvantage because of the downward trend of the prices of their main export products while they would be forced to pay increased prices for their principal imports. The challenge can be met effectively, according to experts, through intensive export promotion, crop diversification for exports and import substitution, adequate international marketing arrangements and development of regional trade. All these suggestions have been discussed times out of number at various seminars and conferences but the net result of all these deliberations has so far been next to nothing.

What is the role of FAO in this battle wherein the developing countries seem to be a steady loser? Hitherto FAO has endeavoured to act as a supplier of scientific expertise to member countries though this limited role has not benefited the developing countries to the desired extent. It was in this context Dr Boerma had informed the conference that FAO had started a systematic review of agricultural research needs of the developing world with a view to identifying priorities for action. He also said that a computerised agricultural research information system had been devised by FAO to provide research workers in any area with up-to-date information about the progress of research elsewhere. However, the experience of our country is that the contribution made by FAO to agricultural growth is of a limited type and whatever has been achieved in this country is due mostly to the efforts of our own agricultural researchers and the funds provided by the government for this purpose. The technique for the evolution of high-yielding varieties of agricultural crops has been sufficiently perfected in this country and there is no doubt that our own scientists will be able to bring about a breakthrough in the evolution of high-yielding varieties in rice and other food crops.

marketing of products

Regarding arrangements for the marketing of agricultural products, the conference came to the conclusion that FAO should help the developing countries of this region in looking for suitable markets in the developed countries. It was felt that the countries of the region should join hands and develop programmes of action in regard to marketing as FAO could not directly operate the markets for the countries of the region. All it could do was to help the individual governments in informing them where exactly their produce could be well paid for. Despite the promised facilities by FAO it is certain that the countries in this region will have to depend on their own efforts.

The conference drew attention to the fact that the new technology had benefited mainly the bigger farmer which had tended to accentuate the disparity in incomes

between the privileged and the less-privileged farmers. It was in this connection that the conference recommended to its members to re-orientate their agricultural policies so as to make small-scale farming both productive and viable. While outlining his eighteen-point agricultural development programme designed to create more employment opportunities and to bring about equitable distribution of resources, Dr D. L. Umali, Assistant Director-General and Regional Representative for Asia and the Far East of FAO, opined that if the productivity of small farms had not increased in areas which had witnessed a green revolution in recent years, it was not the fault of the farm structure but of the policymakers and planners. For making the small farms viable, he suggested more intensive training of extension workers, provision of needed infrastructural improvement such as roads, transport facilities, storage, processing plants etc.

The conference identified six regional project proposals to which the FAO regional office in collaboration which UNDP and the member-governments would devote foremost attention. The projects were : (i) improvement of dry-land farming in close co-operation with the new INCRISAT Institute in Hyderabad; (ii) the creation of a regional livestock centre; (iii) promotion of co-operative fisheries development programmes, particularly under the South China Sea Fisheries Development and Co-ordinating Programmes; (iv) Promotion of agricultural diversification and the harmonization of inter-regional trade; (v) creation of Asian Centre for agrarian refom and rural development; and (vi) regional training system for wild-life management and crude forest industries.

There was a consensus in the conference that the FAO regional office should be strengthened financially and staff-wise and should have a greater responsibility for the formulation of its own programme of work. Also, the activation of the regional technical bodies and a strengthening of their role was held greatly desirable. Both these suggestions are of a routine nature and no one expects that much would be accompalished till the 12th regional conference to be held in Japan in 1974. The only solid achievement of this conference was the pinpointing of the fate of the small farmer and some recommendations to improve his performance though it was hardly likely that any revolutionery change in the working of the less privileged farmers would follow.

Already the UN system including FAO has been facing a financial crisis. It was the paucity of resources which had forced FAO to revise its priorities. At present, FAO faces a deficit of seven million dollars on a total biennial budget of $ 86 million. The deficit has been caused by a number of causes including (i) recent changes in currency rates, (ii) price rise in large parts of the world and (iii) failure of some members to pay their contributions in full. Consequently, FAO has been forced to apply a 10 per cent cut in appropriations to various programmes and also a reduction in staff so as to balance the budget. This in itself is reason enough for FAO not being able to take on new responsibilities.

Oil India: a reservoir of skills and technology

A Correspondent

THE TECHNOLOGICAL revolution of the twentieth century has been largely written in letters of black gold, which is oil. It is difficult to imagine any facet of modern life in which petroleum and its derivatives do not play a vital role. Nor can we imagine any period in the near future when man can deny himself an increasing consumption of this source of energy.

Oil India Limited, which is a 50:50 joint venture of the government of India and the Burmah Oil Company of Britain, took over an endeavour initiated by the Burmah Oil Company with the discovery of oil in Nahorkatiya in north-eastern corner of India in 1953. It has played a vital role in the exploration and development of oil in the country ever since its inception in 1959. Upto the close of 1971, the company had produced over 22 million tonnes of crude oil, drilled 264 new deep wells (taking the total in its concession areas to 314—some wells had been drilled earlier by the Burmah Oil Company before it joined hands with the government of India) and had raised recovery expectations, through new discoveries and sound production techniques, by a total of over 23 million tonnes. It has many achievements to its credit. All the problems encountered in its operations have been tackled successfully.

The Nahorkatiya discovery in 1953 marked the beginning of the current era of oil exploration in the country. It was soon followed by discoveries of oil in Moran and later on at various other places in Upper Assam in the east and in Gujarat in the west where the wholly government-owned Oil and Natural Gas Commission started its operations towards the close of the fifties. While Oil India's activities are confined to its concessions in Uppar Assam, the ONGC has spread its network in the rest of the country, including Assam, barring the concessions of Oil India.

In the initial years, Oil India had to bring in some expatriate staff. But by 1969, the organisation had been completely Indianised. Even the top executive post of the managing director passed into Indian hands in that year. Thus, the operations of Oil India currently are being directed and handled by Indians; only ocassionally need arises for commissioning the services of a stray specialist to fill in an odd gap.

Oil India has also assisted associate organisations by sending out Indian specialists on deputation.

The problems Oil India had to eneounter in its operations were many and complex. They had to be tackled skillfully.

It became evident quite early during Oil India's operations, that the subsurface geology in its concession areas was extremely complex with innumerable dislocations in the rock formations and marked variations in the nature and properties of individual formations. As a result, the assessment of the magnitude of any discovery became an extremely difficult task. Moreover, exploiting of these discoveries posed multifarious problems of intricate

nature. In spite of these inherent difficulties, a systematic geological-cum-reservoir engineering analysis of the fragmentary data from the first few wells employing very sophisticated techniques with a high degree of skill and judgement helped to establish that the Nahorkatiya oilfield would be sufficiently big to justify setting up of new refineries in eastern India.

In Nahorkatiya and Moran —the two concessions of Oil India producing oil— the petroleum accumulations occur in a series of channels and impersistent sands chopped up into a large number of separate pools by dislocations which are usually known as "faults". The locations of these accumulations have been controlled by the early geology of the area and their nature is often-dissimilar on either side of the dislocations. Nearly 20 years have passed since oil was struck in Nahorkatiya and several hundred wells have been drilled during this period. Each one of these has brought to light further complexities in the geology, distribution and character of accumulations.

improved techniques

To tackle this problem, the techniques of observation, measurement and interpretation have been continuously improved and the geological and reservoir engineering techniques integrated more and more closely with each other. The solving of problems with computer has been made an inseparable part of these operations. The latest computer programme installed for this purpose is probably the most advanced programme in commercial use throughout the petroleum industry.

Nahorkatiya Well No. 1 took 459 days to reach the objective depth of 3,572 metres (11,715 ft); eight years later a Nahorkatiya well reached the objective depth of 2,814 metres (9, 229 ft) in just 7 days 21 hours. This tremendous improvment in drilling performance was achieved through an all-round concerted effort. Firstly, the geological members of the organisation determinedly set about to improve their capacity to glean full sub-surface information without calling for conventional coring—drill-stem testing and other such operations which impede drilling speed. Freed from these frequent demands and interruptions of their activities, the drilling teams could then concentrate on introducing measures aimed at low-cost fast drilling. Simultaneously with this, both the drilling and the engineering teams went into devising ways and means of unitising and standardising the entire equipment and transportation system so that a rig could be dismentled and transported from one location to another in only 5 to 10 days. The chemical wing gave full support by devising mud systems aimed at keeping the holes trouble-free during drilling. All these resulted in peak performances of the order of 40,000 metres (130,000 ft) for a single rig in a year and an average of 23,000 metres (75,000 ft) per rig per year during the intensive drilling period of the company.

Furthermore, these performances have been achieved whilst maintaining a high standard of maintenance and conservation of equipment so that Oil India has rigs today which are drilling deep wells even after completing one to 1.2 million feet of drilling. These achievements compare with the very best attained anywhere in the world.

improvement of potential

Some wells in Nahorkatiya and Moran pass through two or more good oil-bearing sands. To improve the well-head potential of these wells, the technique of dual completion was introduced towards the end of 1961. In this method, oil is tapped from two sands simultaneously and it arrives at the surface through two pipes or through one pipe by commingling. Normally, this technique is used where the oil can be expected to remain freely moving all the time. In waxy crudes of the Nahorkatiya-Moran type, which have a tendency to choke pipes, the employment of this technique is not easy, and its successful adaptation in a number of cases has involved a good deal of careful experimental work and planning. Presently, about 30 such wells in the Nahorkatiya and Moran areas produce oil from more than one sand.

To tap oil resources beneath the Burhi Dihing river which passes through Oil India's concessions in Nahorkatiya area, drilling of inclined holes was started in December, 1962. Since erecting a rig on the river would be extremely costly, the same was set up on the river bank and the well inclined or deviated to a predetermined point below the river bed. The technique has also been employed on land where access is difficult. A total of 29 deviated wells have been drilled so far.

To collect the oil produced from a large number of wells, oil collecting stations have been installed in different parts of the oilfields of the company. The stations have been sited in a manner whereby production from a group of wells can be collected in the most economic way. There are eight such stations in Nahorkatiya and one in Moran within the main productive areas. In addition, there are a number of small oil collecting set-ups for outlying wells. Oil collected in all these places is sent to the two central tank farms — one each in Nahorkatiya and Moran.

Production of oil is always accompanied with gas. Very early in the planning of the production set-ups, extensive field tests were carried out to maximise oil recovery from the oil-gas mixture produced by the wells. Based on these tests, a very effective system of multi-stage separation of oil from gas was designed, and the necessary equipment installed in all oil collecting stations.

Because of the waxy nature of the crude oil produced in Nahorkatiya and Moran, the paraffin wax, which occurs in solution in oil in underground reservoirs, often precipitates and gets deposited as the oil moves upwards inside the producing wells. Further precipitation of wax takes place in the surface flow lines. As a result of this, the flow of oil is retarded. To combat this problem, both the producing wells and the surface flow lines have to be serviced regularly to remove wax with the help of mechanical devices as well as chemical treatment. On the basis of field experience, this service schedule has been optimised to ensure increased effectiveness with reduce costs.

constant innovations

With continued production, wells often start producing water with oil. Separation of water with the minimum loss of oil frequently needs chemical treatment in specially designed vessels. Both the nature of the treatment and the type of vessels have to be tailored to the quality of the oil produced. Production engineers are constantly engaged in innovating suitable measures and improving the field set-up accordingly.

Oil collected in the tanks of oil collecting stations emanates a small quantity of vapours which escape to atmosphere. The quantity of such vapours is insignificant compared to the overall production from the oilfields, but the liquids extracted from such vapours have several economic applications. The company is presently working on a scheme for the recovery of these vapours and extraction of liquids therefrom.

With the passage of time, production problems are increasing; more and more oil producers come on to the "sick-list" calling for urgent remedial measure (work-over). The work-over effort is being progressively strengthened to keep pace with

this development. The latest workover rig, one of the four in operation, was commissioned early this year.

In order to augment the ultimate recoverable reserves and to maintain the production offtake at reasonably high levels from the major oil pools in Nahorkatiya and Moran, it is essential that the depletion of reservoir energy by continued production be arrested as far as practicable. This is achieved by "pressure maintenance" through injection of either gas or water into the reservoirs through suitable injection wells. Pressure maintenance schemes are presently in different stages of implementation in the oilfields.

human ingenuity

The design and construction of the pipeline from the oilfields of Nahorkatiya and Moran to the refineries at Gauhati and Barauni constituted a severe test of human ingenuity and skill. In certain aspects this pipeline is unique in the world. Through much of its entire length of 1,157 kilometres, it also rceeives the world's heaviest rainfall. The pipeline route is consequently cut across by innumerable rivers and rivulets, which change course in an unpredictable fashion and are subject to marked variation in water flow rates, flash floods and all the usual vagaries of mountain stream debouching on the plains.

The Burmah Oil Company (Pipelines) Ltd, of UK, a subsidiary of the BOC, was entrusted with the task of designing and laying this pipeline including that of selecting the least unstable route.

The pipeline was designed to pump crude oil at the rate of 2.75 million tonnes per annum up to Gauhati and two million tonnes per annum thereafter to Barauni.

Global tenders were invited for the construction and, among the many firms which responded, a consortium formed by Mannesman of Germany and Saipem of Italy, came out successful as the lowest bidder. Over 4,00,000 metres length of 40 cm dia. steel pipes, used in the laying of the line, from Nahorkatiya upto Gauhati, were imported from the UK as pipes of this size were not available in India. The remaining 7,50,000 odd metres of 25 cm. dia steel pipes for the Gauhati-Barauni sector were especially-manufactured by the Hindustan Steel Ltd, Rourkela. Most of the structures used for river crossings, were fabricated by major Indian manufacturing companies. Advantage was taken of the existing road and railway bridges wherever practicable. Indian engineers worked day and night, shoulder to shoulder with the international team of technicians—Germans, Italians, British and Americans—to tackle this momentous and challenging task.

The terrain over which the pipeline runs is, however, such that the construction of the line alone did not end the problems. Continuous vigilance has to be exercised against threats of river erosion and soil corrosion. When damage does take place, the organisation is geared to rectify/replace sections of the line at short notice and with the minimum of interruption to pumping. When the big Dhansiri road bridge, under which the pipeline runs, collapsed in 1963, alternative submerged crossing was put in and pumping continued after an interruption of a few hours only. When the Chel rails bridge and the attached pipeline were washed away in 1969, alternative crossings were established and pumping continued without any loss of time. Even the devastation caused by the 40 ft wall of water, which came down the Teesta river in 1968, washing away everything in its front, was rectified in just 24 days' time. Much vigilance, proficiency and team-work lie behind this type of performance.

consultancy service

With its deep knowledge, Oil India today is in a position to offer consultancy services on design, installation and maintenance of all aspects of pipelines relating to the transportation of crude oil, petroleum products and natural gas.

Crude oil from Nahorkatiya and Moran contains a large proportion of wax and 'solidifies' at temperatures of about 30°C. Since even the day temperature over the region drops frequently below this level during the cold whether, it was evident that the pipelining of this crude oil would pose a problem. The only known technology at that time was that of heating the crude oil at intervals all along its route to the consuming centres. It was recognised that this would make the endeavour prohibitively expensive. Basic research was, therefore, undertaken by the Indian and the the British scientists of the Burmah Oil Company. After several years of study, it was discovered that this class of crude oil responds to a specific type of heating and cooling treatment after which it remains thin and pumpable until subjected to another temperature cycle. No chemical changes are involved, but the physical state of the crude oil, at low temperatures, changes over from that of a lumpy 'solid' to that of a thin and easily flowing liquid.

After trying out of this discovery successfuly in a pilot plant set up in Britain by British Petroleum, the process was incorporated in the designing and installation of the two crude oil conditioning plants at Nahorkatiya and Moran. Both these proto-type plants, installed as it were straight from the drawing board, have functioned well as essential adjuncts to Oil India's crude oil transportation system and have been amenable to substantial improvements by the company's personnel in the course of operations.

An inevitable accompaniment of oil as it journeys from its reservoir to the surface is natural gas. After separation through a number of high pressure separators, the gas is fed into a gas-line from where it is distributed to various customers and also for internal purposes. Surplus gas is flared.

gas output

According to the present indications, nearly two million cubic metres of gas per day will be required by the customers of the company, Their present off-take, however, is only 0.8 million cubic metres per day.

Out of the 323 wells completed by November, 1972, in all the operational areas of the company, 240 are oil producers and 15 gas producers. Amongst the remaining wells, 14 are being used for fluid injection/disposal, 31 wells are dry and 23 wells await workover (repair) or further tests.

Oil India's contribution to self-reliance in the specialised field of activities with which it is concerned is mainly through the steady and uninterrupted supplies of crude oil which it has been able to maintain. Such production displaces imports and the value of crude produced so far runs to over Rs 2 billion.

Amongst the new schemes under consideration, a Rs 7.5 crores project to expand the pipeline capacity in order to accommodate crude to be made available by the Oil and Natural Gas Commission for the proposed refinery and petrochemical complex at Bongaigaon occupies the highest priority. Also under consideration is a proposal to instal a Rs 4 crores plant to extract liquified petroleum gas from field gas.

Oil India has always put its experience and knowledge at the service of sister organisations in the field. It played host to the first Indian Petroleum Conference (Exploration & Production) and did considerable spade-work in giving a formal shape to the concept of an interchange of ideas between allied organisations.

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

THE UNION government, indeed, had to face a very rough weather during the opening week of the current winter session of Parliament. It had to encounter an adjournment motion in the Lok Sabha after nearly two years. The subject matter of the censure move, as could be expected, was the sharp rise in prices over the past one year.

The attack of the opposition was severe and sustained, although the governmental policies picked up for criticism differed according to the political shades of the critics. Thus, while the leftist sections of the House assailed the government, besides for its failure to check inflation, for not enough being done to curb monopolies and circulation of black money, the members with the rightist leanings sharply criticised all the economic policies and stressed that the primary responsibility for the continued rise in prices was that of the government, Mr S.N Mishra (Congress-O) expressed the view that with its pseudo-radicalism, the government had mismanaged the national economy. Mr A.B. Vajpayee (Jana Sangh) warned that the people would take to the streets if the government failed to check the run-away prices.

rise in prices

The uptrend in the prices of food grains, it was felt, was much more than was warranted by the recent drought. The buffer stock, which had been built up over the past three or four years, it was argued, could keep the prices of foodgrains within control. But since this had not happened, the malady was more deep-rooted than the government imagined. Many oppostion members were also of the view that the sharp rise in prices this year could as well not be wholly explained by last December's conflict with Pakistan. The unbridled resort to deficit financing was considered to be one of the major causes for the deteriorating prices situation.

In his reply to the debate, the Finance Minister, Mr Y.B. Chavan, however, reiterated that the upswing in prices was the direct outcome of drought and conflict with Pakistan. Passionate opposition speeches, he stressed, could not retrieve the kharif crop. He assured the House that, if need be, the government will import rice, wheat and pulses to contain the prices spiral. The government, he added, had the resolve and the capacity to supply foodgrains to every citizen at a reasonable price, come what may.

The Finance Minister also announced that in a bid to mop up the surplus money with the people, the government had decided, in consultation with the Reserve Bank, to float another market loan of Rs 100 crores in the next few weeks. It had as well decided to keep deficit financing as low as possible.

Although the censure motion was voted out, the opposition was hardly impressed by the Finance Minister's reply.

important issue

Another important issue that figured prominently in the two houses this week was the current stalemate in the Indo-Pakistan talks on the delineation of the line of control in Jammu and Kashmir after last December's conflict. The Jana Sangh leader in the Lok Sabha, Mr A.B. Vajpayee, was highly critical of the government's offer to go ahead with the delineation of the line of control and withdrawal of our troops in terms of the Simla agreement even if the dispute over the 1.5 sq. miles area of Thakkur Chuk remained unsettled. Mr Samar Guha (Socialist) expressed the view that the government of India had committed a mistake in holding bilateral talks with Pakistan without involving Bangladesh. Mr Dandavate (Socialist) was of the opinion that the current difficulties with Pakistan were a hangover of the past and were indicative of the fact that the conflict between the armed services and the civilian leaders in Pakistan remained unresolved. He favoured that the recognition of Bangladesh by Pakistan should be made an issue before settling the current differences with Pakistan.

Reiterating the faith of the government in the Simla agreement, which, he stressed, was a self-contained pact, the Minister for External Affairs, Mr Swaran Singh, hinted that the Indo-Pakistan delineation talks might be upgraded. Under the Simla agreement, he said, the differences between the two countries had to be sorted out bilaterally. If these differences could not be resolved at the level of senior commanders now engaged in the task, the matter perhaps could be taken up by military commanders at another level. If that was also not possible, it could be taken up at the level of civilian officials or "even at the government level".

The External Affairs Minister made it clear that the government of India continued to adhere to the letter and spirit of the Simla agreement, the two essential elements of which were : (i) all differences between the two nations would be settled bilaterally; and (ii) neither country would resort to force in settling their disputes. He assured the House that there was absolutely no change in the government of India's stand that the line of control in Jammu and Kashmir had to be delineated before there could be troop withdrawals across the international border. In Jammu and Kashmir, he pointed out, both the countries had agreed to respect the line of control after the last December's conflict. Mr Swaran Singh welcomed that Pakistan had come out of the SEATO and expressed the hope that one day it would come out of the CENTO too and join the group of non-aligned nations.

biting criticism

The third important subject which came up for discussion in the two houses this week was the report of the Commissioner of Scheduled Castes and Scheduled Tribes for 1969-70. The failure of the government to provide to members a note on the report dealing of the steps it had taken to ameliorate the lot of these down-trodden sections of our society, came in handy for the opposition assailing the government. It was argued that the absence of this note was an eloquent testimony to the lack of keenness on the part of the government to protect the interests of Harijans and the scheduled castes and tribes. The most biting speech during this discussion came from a member of the treasury benches — Swami Brahmanand. He was blunt in accusing the government for its failure to fulfil its promises. Expressing deep concern over the recent increase in atrocities on Harijans, a Congress (O) member, Mr K. S. Chavda,

suggested the appointment of a high-powered commission to examine the causes for the spurt in these atrocities. The Jana Sangh spokesman, Mr Jagannathrao Joshi, too was highly critical of the excesses committed on Harijans. Several memsbers demanded an increase in the amount of scholarship given to Harijan students. Some members regretted that the benefits earmarked for the scheduled castes and tribes were being diverted to others. The debate remained inconclusive.

In a statement on the recent "rags scandal", the Minister of Foreign Trade, Mr L. N. Mishra, disclosed in the Lok Sabha that the unauthorised imports of serviceable garments from abroad in the guise of rags would be probed by the Central Bureau of Intelligence.

The following information was provided by various ministers in the two Houses of Parliament this week:

(i) The government has implemented 183 of the recommendations made by an official team to plug leakage of foreign exchange due to malpractices by business concerns—which adds up to about Rs 240 crores in all. Of the committee's 220 recommendations, 211 have been accepted. The 28 recommendations on which action has not yet been taken may be modified before implementation. Legislation to amend relevant laws may be introduced in this session of Parliament. The leakage of foreign exchange traced to under-invoicing of exports and over-invoicing of imports by business concerns amounts to between Rs 50 crores and Rs 70 crores. Smuggling and foreign travel accounts form the bulk of the balance. The study team of officials of the CBI, Reserve Bank and concerned ministries set up to probe the problem submitted its detailed findings in November last year. It was able to identify "the vulnerable areas of operations", and pinpoint the lacunae in the laws and procedures. A committee of four secretaries of government was appointed to take decisions on the implementation of the 220 recommendations. The study team had suggested legislative, administrative, organisational and procedural measures to plug the holes through which foreign exchange was being diverted from proper channels of controlled use. Action on suitable amendment of the customs, foreign exchange regulations, imports and exports trade control and passport acts is now under way.

(ii) A proposal to set up a tourism finance corporation for disbursing loans to hotels and other segments of the tourist industry is under consideration of the government.

(iii) The net national income seems to have shown a smaller rise in 1971-72 than the 4.7 per cent increase in 1970-71 and 5.3 per cent rise in 1969-70.

(iv) The foreign exchange reserves of the country, including gold and special drawing rights, had fallen from about Rs. 848.7 crores on March 31, 1972, to about Rs. 778.5 crores on October 31. The decline in reserves this year has been sharper than usual due to larger import payments from the country's own resources in the wake of suspension of US ald, delay in the third replenishment of the IDA and continuing large debt service payments.

(v) Exports of all categories of footwear has been canalised through the State Trading Corporation with effect from November 14.

(vi) The union government is examining the recommendation of the Banking Commission that a common recruitment agency for all public sector banks be set up statutorily.

(vii) The proposed holding company for steel will have within its purview, besides Hindustan Steel, the Bokaro and Salem steel undertakings and also the companies to be formed for the new steel plants to be set up at Visakhapatnam and Vijaynagar. A study group appointed by the Ministry of Steel to examine the techno-economic feasibility reports of the Vijaynagar and Visakhapatnam steel plants, has recommended increase in their capacities by installing larger blast furnaces.

(viii) The total loss incurred by the Heavy Engineering Corporation upto March 31, 1972, was Rs 89.19 crores. Several measures have been taken to improve the functioning of the plant. As a result, the recurring losses are expected to be considerably reduced. Against Rs 26.07 crores in 1967-68; the loss was estimated at only Rs 15.85 crores in 1971-72.

(ix) The target of installing 2,700 MW capacity for producing atomic energy by 1980, envisaged in the 10-year profile of atomic energy, is now expected to be achieved by 1984, according to present indications. The modification of the programme has become necessary in view of certain problems which have arisen since the formulation of the profile by the late Dr V. Sarabhai.

(x) The final decision on the proposed public sector small car project would be taken on the completion of the current examination by the Planning Commission of the relative costs and benefits to the economy of public transport *vis-a-vis* passenger cars.

(xi) The government proposes to amend the 82-year old Indian Railways Act in order to crackdown on those who endanger life and menace the safe working of railways. Death penalty is proposed for acts of sabotage and destruction which cause accidents resulting in the death of passengers or railway personnel. The Railways propose to introduce a scheme of insurance of passengers against injury or death.

(xii) The nationalisation of foreign oil companies operating in the country has not been ruled out. The three alternatives of nationalisation, equity participation and purchase of the properties of oil companies by government at negotiated prices, as envisaged in Esso's latest proposal, are still being considered by the government.

Nationalisation involves overruling long standing international agreements. There are delicate issues involved in this and the government is thoroughly studying all aspects of the issue. Esso's proposal for 74 per cent participation by the government in its existing ventures here does not permit change of articles of association, disposal of assets, expansion of capital base and some other steps without the concurrence of Esso. It also stipulates a 15 per cent repatriable dividend every year on the 26 per cent equity participation of Esso in the new company which might be formed after the transfer of 74 per cent shares of the existing undertakings of Esso to the government. It is also sought by Esso that exemption from capital gains tax should be granted for the sale proceeds of 74 per cent share to the government. Burmah Shell has offered to discuss the question of substantial equity participation by the government and of the public in its existing refinery and marketing organisations. The offer is dependent on expansion of refinery capacity and marketing operations and determination of crude prices. Under the proposal of this company, crude supply rights are proposed to be replaced by an option that Burmah Shell should be allowed to match the lowest commercial offer for about 85 per cent of the crude oil imports for its Trombay refinery. The company has agreed to offer a portion of incremental production to the Indian Oil Corporation on terms to be negotiated. It has asked for product prices being increased to fully reflect crude prices and is agreeable to some form of limitation on the outflow of foreign exchange on account of profits, for a certain period.

(xiii) The government has no plans to abolish free market sale of sugar. It proposes to continue the present policy of partial control.

(xiv) A bill fixing a ceiling on urban properties is proposed to be brought before Parliament during the current session.

Indonesia: price stability for growth

IMF Asian Department

WINDOW ON THE WORLD

SINCE THE introduction of the economic stabilization programme late in 1966, the Indonesian economy has made rapid progress. The stabilization programme sought to restore confidence in the currency and to provide a base for sustained growth.

The result was to be attained by regulating internal demand through monetary and fiscal policies, reform of the exchange system, and support of the balance of payments with foreign aid and a rescheduling of external debt service payment. Measures also were taken to promote investment and to increase production in key sectors, especially rice. The objectives of the stabilization programme had been largely achieved by 1969 when Indonesia launched its first Five-Year Development Plan, the early stages of which can now begin to be assessed.

The economy continued to make substantial progress during 1971. Rice output expanded for the second year in succession, while production increased in manufacturing, mining, and forestry. Government development expenditures rose, and foreign and domestic investment in the private sector accelerated. Relative price stability had been maintained since 1969, and since then, Indonesia has consistently followed a balanced budget policy. The latest estimates for fiscal year 1971-72 (April-March) ended with a surplus of Rp 4.4 billion in the overall budget (including development expenditures and ofter allowing for aid counterpart receipts).

The balance of payments came under stress during 1971, mainly owing to a decline in prices of major exports other than oil. The authorities took cerrective step;, including depreciation of the rupiah by 8.9 per cent and measures aimed at restraining credit expansion. The exchange system was, however, maintained virtually free of restrictions for both current and capital transactions.

Comprehensive data are not available to permit an overall assessment of production in Indonesia. Available data indicate that a number of important sectors continued to show appreciable gains in 1971. Rice output is estimated to have been six per cent higher than in 1970, a gain equal to that of 1970 over 1969. This expansion made it possible to maintain stable rice prices and reduce the volume of rice imports in the past two years. Important factors in the greater rice output in 1971 were favourable weather and the successful start of the official rice production programmes and the policy of supporting producer prices. The official rice programming include providing fertilizers and other inputs, as well as credit to farmers. Sugar output also increased substantially in 1971. However, available information suggests that there were no significant changes in the output of food crops, such as cassava, sweet potatoes and soyabean. Production patterns were mixed last year for traditional export commodities: coffee, palm oil, pepper, and tobacco crops were considerably larger while rubber aud tea output stagnated and copra production declined.

Provisional data on mining indicate that the output of most mineral increased in 1971. Crude oil production increased approximately five per cent, as four offshore oil fields commenced production during the year, adding about one-third of the rice in output. Production of tin, bauxite, nickel ore, and mineral sands also increased. The output of forestry products continued its strong upward trend expanding 30 per cent in 1971.

Production of textiles, the major industry, showed a rise of 18 per cent in output. Other manufacturing industries recording increased production in 1971 were fertilizers (7 per cent), paper (25 per cent), automobile tyres (24 per cent), bicycle tubes (105 per cent). and light bulbs (18 per per cent).

rapid investment

Partial data indicate that foreign investments under the Foreign Investment Law amounted to about $ 140 million against $98 miltion in 1970. This rise reflects largely more rapid investment in both manufacturing and mining. The foreign oil companies and Pertamina (the state oil enterprise) are investing large amounts in oil exploration, production, refining, and distribution. Locally financed projects approved by the Domestic Investment Board from November 1968 to the end of 1971 were 806 in number, involving outlay of about Rp 354 billion (415 Indonesian rupiah=US$1). Nearly two-thirds of the approved investments were in manufacturing, mostly in the Djakarta area. By the end of 1971, 194 domestically financed plants had commenced operations.

An essential element of the stabilization programme has been the policy of maintaining a virtual balance in the overall budget. At the same time, the authorities have striven to finance more development expenditures from the current budget surplus. In 1971-72, current revenues and expenditures each rose by 23 per cent yielding a current surplus of Rp 70 billion.

Partly as a result of improved collection procedures, direct tax revenues, other than from foreign oil companies, increased by more than expected; it is estimated that for the full fiscal year 1971-72 they were 34 per cent higher than in 1970-71. However, collection of duties and sales tax on imports fell by three per cent over 1970-71.

The current budget surplus financed Rp 192 billion of development expenditures,

or 42 per cent. The remainder was financed by project aid and programme aid counterpart funds. Total development expenditures in 1971-72 were 24 per cent higher than in 1970-71 although they were not as high as initially planned. The overall budget surplus declined from Rp 6.1 billion in 1970-71 to Rp 4.4 billion in 1971-72. The 1972-73 budget provides for a 58 per cent increase in development expenditures and a current budget surplus of Rp 136 billion.

Monetary and credlt policies have been designed to support the objective of achieving a high rate of economic growth with price stability. Thus, the authorities have sought a gradual reduction in the rate of credit expansion, while selectively directing credit to productive sectors.

Despite a tax of 15 per cent on interest earned from time deposits, effective interest rates remained high (1.7 per cent a month for one year deposits) and induced an impressive (71 per cent) growth in time deposits in 1971.

strong demand

The demand for liquidity remained strong. During the year, the public's holdings of liquid assets rose by 42 per cent. The relatively rapid growth of time deposits and the low reserve ratio on such funds (3 per cent compared to 30 per cent for demand deposits) enabled the commercial banks to expand credit by 40 per cent, compared with an expansion of 47 per cent in 1970 and 72 per cent in 1969. The increase in credit went mostly to the industrial and export sectors; investment credits under thc Medium-Term Credit Programme constituted a substantial portion of the former.

To achieve better control of credit, the authorities increased the reserve ratio for time deposits to 10 per cent for state banks and branches of foreign banks and to five per cent for private banks, effective January 1972.

Effective on June 1, 1971, the interest rate on one-year time deposits was reduced from 24 to 18 per cent a year, Loans for export production and for the production of nine essential commodities which were previously subject to interest rate of 24 per cent and 27 per cent a year, respectively, are now subject to a uniform rate of 21 per cent. Interest rates on credits to export traders and for less essential production were reduced from 27 per cent and 30 per cent, respectively, to 24 per cent; interest rates on other credits, which ranged from 34 per cent up to a possible 48 per cent, were reduced to a range of 24-40 per cent.

The Djakarta consumer price index rose by 2.4 per cent in 1971, against increases of 8.9 per cent in 1970 and 10 per cent in 1969. During the 12 month period to April 1972, the index rose by 2.0 per cent The successful operation of the official rice agency contributed to a stability of retail prices for rice.

The balance of payments was under considerable strain during 1971 as reflected in a $55 million decline in external reserves. However,these losses were more than recovered in the first four months of 1972 when reserves increased by $92 million.

balance of payments

The balance of payments attrition was largely due to a rise in the current account deficit, from $390 million in 1970 to $463 million in 1971. Debt service payments increased from $86 million in 1970 to $106 million in 1971, while a strong import surge and a lackluster agricultural export performance led to a deterioration in the trade account.

Oil exports increased by 19 per cent while other exports rose by seven per cent. The increase in non-oil exports was principally due to the 68 per cent improvement in timber exports. The value of exports of rubber, coffee, coconut products, and tin declined in 1971, but pepper, tea, and palm oil exports rose. The generally inadequate performance of agricultural exports was due mainly to subdued demand in world markets and to international monetary uncertainty.

Reflecting the high level of economic activity, imports increased by 12 per cent in 1971, a substantial portion in raw material and capital equipment.

Although the net inflow on miscellaneous capital account, mainly in the form of private direct investments, increased from $75 million to $175 million between 1970 and 1971, Indonesia's external balance remained substantially dependent on foreign aid. About $300 million in programme aid and $93 million in project aid were used in 1971,

In order to strengthen the balance of payments position, the authorities depreciated the rupiah on August 25, 1971 by a nominal 8.9 per cent, reduced certain levies on exports, and introduced a scheme for compensating importers for the cost disadvantage of importing with aid exchange.

The exchange rate was maintained at Rp 415 per US$1 after the international currency realignment of December 1971. This exchange rate represents, in comparison with the par values prevailing at the beginning of May 1971, a depreciation of about 16 per cent in the effective exchange rate in trade with Indonesia's major trading partners.

A considerable improvement in the external payments position is projected for 1972-73 mainly as a result of a large increase in oil exports. Owing to increases in both production and prices, net foreign exchange receipts from the oil sector are expected to more than double. Net official international reserves are expected to record a large gain in 1972-73.

Indonesia's request to the Inter-Governmental Group on Indonesia (IGGI) for $670 million of aid, on a commitment basis for 1972-73 was favourably received. At a meeting in April 1972, the IGGI approved total commitments totalling more than the amount requested. Aid in 1972-73 is expected to consist of $320 million in programme aid and $200 million in project aid.

Courtesy : **IMF Survey**



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ASP/A

Comecon and developing countries

Artur Kirchhoff

THE MEMBER countries of the Council for Mutual Economic Assistance (Comecon), meeting for their 26th session in Moscow this year, were able to draw up a positive balance-sheet of their economic development. Their industrial output had increased by 7.8 per cent while the rate of growth was only one per cent or so in the western industrial nations as a result of recession and stagnation. The Comecon countries' share in the world's industrial output is now 34 per cent and it will continue to grow. Compared with the Common Market the Council's production of steel is 60 per cent higher while that of electricity is 73 per cent higher.

benefits of association

The 26th session admitted the Republic of Cuba as a new member to the Council for Mutual Economic Assistance.

Membership of Comecon has enabled the German Democratic Republic to develop its economy on planned lines

USSR : Exports of Major Raw Materials to other Comecon Countries

		1960	1970
oil and oil products	(mill. tons)	9.2	40.6
iron ore	(mill. tons)	14.8	31.7
pig iron	(mill. tons)	0.9	4.0
rolled steel	(mill. tons)	2.1	5.6
aluminium	('000 tons)	49	259
sawn timber	(mill. cub. metres)	1.4	3.0
cellulose	('000 tons)	52.7	331.2
paper	(000 tons)	31.9	298.9

thout any fear of crises. This made it ossible to overcome the devastating nsequences of the Second World War ster than had been expected. Although e GDR is a small country with a terri- ry of 108,178 square kilometres (92nd ace in the world) and a population of t over 17 million (31st place in the rld), it ranks among the world's ten leading industrial nations in terms of output. It is chiefly to the close socialist-type co-operation between the Comecon countries that the GDR owes its development into a highly industrialised country with a largely mechanised intensive agriculture.

The decisive foundation for economic co-operation between the Comecon countries is the Soviet Union with its vast economic potential. It covers most of the other member nations' needs for important raw materials thus enabling them to develop their economies on planned lines undisturbed by the market fluctuations and monetary crises typical of the capitalist system.

This co-operation was a major reason why the Comecon countries were able to increase their national income per head of the population by 270 per cent between 1950 and 1971, whereas the western industrial nations registered a growth of only 90 per cent. For the GDR this paved the way for a substantial expansion of its trading links with other countries. The exchange of goods with the socialist countries accounts for roughly 70 per cent of its foreign trade. The growing economic potential of the GDR has also made it possible to strengthen the economic ties with countries outside the Council for Mutual Economic Assistance.

Trade between the GDR and India

(in million marks)

	1960	1970	1971
exports	56.8	135.5	206.1
imports	69.6	145.2	130.1

Source : Statistical Pocket Book of the GDR, 1972 edition.

Trade with the developing countries shows a noticeable increase. This is especially true of India, although there are still considerable reserves for developing economic relations with the subcontinent.

The programme adopted by the 25th Comecon session in Bucharest on July 29, 1971, to promote socialist economic integration is the starting-point for a further rapid expansion of the Comecon countries' economic potential. Deliveries from the USSR will continue to be vital for the GDR as a country largely devoid of natural resources. The GDR receives 90 per cent of its oil supplies from the Soviet Union, while the corresponding figures are 80 per cent for iron ore, 85 per cent for rolled steel and tubes, 90 per cent for timber, 69 per cent for cellulose, 90 per cent for cotton and 70 per cent for wool. The GDR imports an ever-growing quantity of machinery and equipment from the Soviet Union and it is the USSR's chief trading partner (and *vice versa*) with its deliveries of mechanical engineering products and consumer goods. In 1972 mutual deliveries are to attain a level of 3.7 thousand million roubles, which corresponds to an increase by approximately eight per cent over 1971.

As the Soviet Prime Minister Alexei Kosygin emphasised on the occasion of the signing of the final protocol at Comecon's 26th session, the proposed co-ordination of the national economic plans and their implementation "must result in the doubling of our economic strength within the next ten years." This also enhances the prospects of economic links between the German Democratic Republic and countries outside Comecon. The developing countries in particular are increasingly appreciating the economic progress and the progressive, anti-imperialist stand taken by the GDR.

—(Panorama DDR)

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asia72

IN *Eastern Economist* dated November 10, 1972, we had carried a special feature on Asia72. Because of paucity of space, it was not possible to cover all the pavilions—not even all the important pavilions. An attempt has, however, been made this week to describe nine more pavilions in this special feature. The last in this series will appear in *Eastern Economist* dated December 8, 1972. The states covered in this review are Mysore, Haryana and Rajasthan. Among the pavilions of the private sector, Philips has been included because it is a great attraction at the fair. The pavilions of textile machinery, engineering exports, shipping and transport and handicrafts have also been covered in the review below. Among the country pavilions, Austria has been included.

Mysore

The glittering gold, the fragrant sandalwood and its world-famous sandalwood oil, the flavour of the Baba Buddengiri coffee, the gorgeous silks, the ivory-inlaid rosewood, the artistic marvels of sandalwood and ivory carvings—all these symbolise Mysore. While all these traditional items are there in the Mysore pavilion, the modern aspects of industrial Mysore have not been neglected.

The Mysore Pavilion has been conceived in three octagons. The first octagon has a silk ceiling. A nice display of multicoloured silk prints hanging from the centre of the ceiling speak of the wide variety available. There is also a good display of carvings in sandal as well as ordinary wood. The eight wooden statues are the replica of some of the delicate stone carvings which we find in the temple monuments of Mysore state. All these wooden carvings have been done by a well known sculptor from Kumta taluk in the coastal district of North Kanara, Mr V. R. Shetty Gudikar, who has been awarded a prize by the President. At the entrance of the Pavilion are two Dwarapalkas done on light wood.

There are a few pieces of bronze representing temple deities. Also there are furniture pieces of rosewood with ivory-inlay work. Mysore is well known for both its sandal and ivory. The two tusks and large number of sandalwood pieces are good attractions for the visitor. There is a sale counter where the visitor could pick up a small momento or buy a silk length.

The second octagon has rosewood ceiling, highlighting one of the forest products of export value. The emphasis in this octagon is on consumer products. There are pieces of featherlight furniture, Prestige cooker and a host of other products. Such as the Kissan food products, the electronic products of the REMCO such as the Jugalbandi Radio, transistor and tape recorders.

The third octagon has an emphasis on engineering industry. The mirror-glass ceiling reflects the products exhibited and the people going round in multicolour images. In the centre one finds the three motor cycles on a rotating disc. These are the prototypes of the YEZDI 72. There is a display of cutting wheels, Amco Batteries, power tillers, cutting lathe, engraving machines, etc. Samples of the products of Mysore Acetate and Chemicals Ltd. have been put up for display. There are also models of Hedge & Golay precision electric clocks. There is a counter here for the Mysore Sales International, where Mysore lottery tickets are sold in addition to Mysore soap and sandalwood oil.

All the three octagons have backdrops of multicolour silk panels, interspersed by photo panels depicting the people, culture, tourist places, sculpture and industries. There is also liberal use of granite both in finished and unfinished. form. The granite tables in finished and unfinished form are a big draw. They are displayed in grey, black and pink colours, showing the variety that is available in Mysore granite. The entry and exit doors have also the granite frame-work.

At the entrance is an undressed sandalwood tree which was a major attraction at EXPO 70. On either side of it are artificial ponds in which a few granite pillars stand out in their unfinished form. Built in suspended roof, Mysore pavilion has a look of compact and neat cottage. A coffee kiosk has traditional Mysore architecture.

Haryana

The Haryana Pavilion presents a colourful and graphic story of the state, where the traditional life style has been moulded in a dynamic style. The two-story structure is built with jet-black stone slates. On entering, visitors see a huge screen on the left on which about 100 graphic images on silver-coated plastic are printed. The image represents the people of Haryana, their moods and their dynamism. On a circular wall on the right, several hundred vacuum glass refills lit with coloured lights give a dramatic effect. Another interesting feature of the pavilion is a Videophone. One set with a telephone and a television screen has been installed at the entrance and the other near the exit. When the visitor picks up the receiver a bell rings at the other end and another person picks up the receiver. They talk to each other as well as see each other on the T.V. screens.

On the first floor is a semi-circular wall auditorium with six screens where the story of Haryana is told through 12 slide projectors, commentary, sound effects and music. Visitors are brought in from a higher level of the exhibition area and are guided on to the display area through a curvilinear exhibition space, and from there to the next gallery at a still higher level. The total area is divided into four such levels, with a complete integration of space between these levels. This enables the visitors to have a view of the entire displays from the lower level or the upper level. The second plane of the pavilion covers the state's progress in electrification and industry. Two copy panels list Haryana's achievement in these two fields.

Maruti, the prototype of a small car, put on display at the pavilion is drawing large

crowds. This prototype has been manufactured by a unit in Haryana under the supervision of Mr Sanjay Gandhi, the Prime Minister's son.

Rajasthan

Rajasthan, the land of colour and regal splendour, has put up its pavilion in Asia 72 in the traditions of its conventional architecture. The Gate of Harmony, where this palatial pavilion stands, looks upon the dilapidated and grim ramparts of the Purana Qila which form a fitting back-drop to the kiosks and the oblong 'Chhatri' placed above this pink pavilion.

The Rajasthan State Industrial and Mineral Development Corporation, though occupying a small stall within to display the minerals of the state from copper and lead, zinc and silver ores and emeralds to various kinds of clays has made it conspicuous by its sparkling black floor. This black granite is one of the many varieties of the building stones available in Rajasthan. Next only to diamond in hardness, this granite from Jalore in the arid west of the state, lends to cutting and polishing in symmetrical blocks and the corporation has launched upon its commercial exploitation on a large scale. This stall also displays the Chetak, the scooter which the Corporation will manufacture in a factory being erected near Alwar. The scooter is expected to be out on the road by next year.

The pavilion has a representative selection of the handicrafts of Rajasthan, some of which have already established their great export potential. There is the engrossed, embossed and enamelled brassware from Jaipur, the tie and dye sarees and scarfs from Jodhpur, the calico prints from Sanganer, the lac bangles and other decorative articles from Jaipur, the embroidered 'Mojris' or light shoes from Jodhpur and Jalore and the gems and jewellery from Jaipur, Pratapgarh and Nathdwara. Although the industrial houses, both in public and private sector, are not represented, a few industrial units which occupy a wing, demonstrate the great strides, the state has taken in the field of manufacturing of engineering goods.

The Rajasthan Canal Project, the most ambitious and vital project for the desert to bloom into smiling fields and farms and thus provide a permanent shield against recurring droughts and famines in this rain-shadow region, has been rightly highlighted in the pavilion at more than one place. The first stage of this Rs 208 crore project is already nearing completion.

Philips

The Philips pavilion provides glimpses into six areas of endeavour, namely, education, communication, productivity, entertainment, health and mobility.

The growing pressure on education at all levels increases the need for up-to-date equipment to aid teachers and instructors. Individual training and study schemes can also be improved by the use of easy-to-operate electronic



equipment. The equipment for education displayed at the pavilion includes, projectors, home study recorder, practronics study course and video cassette recorder. With practronic study course a student can build and test electronic circuits at his own place and level of initiative.

The involvement of Philips in communication began with a small dictation machine and expanded via telephones and telex equipments to automated air and sea traffic surveillance systems. Shown at the pavilion are telephone exchanges using solid state techniques, studio equipments and office equipments for inter-office communication.

Philips provides a helping hand in achieving a higher productivity, with technical aids for fast manufacturing, precise quality control, higher reliability and better flexibility. The range of products displayed in this section, although far from complete, reflect Philips' involvement in meeting the needs of science and industry. Instrumentation which originated for research work has become closely associated with production processes. In fact the industry is calling for more sophisticated approaches in equipment, drawing on the technologies and production facilities previously reserved for scientific purposes. By way of example, X-ray spectrography equipment was first used only for material analysis in laboratories. Now, it is frequently integrated in the production process itself.

Electronics make a rich choice of recreation possibilities available. music, television and films. Comfort in domestic chores can be increased by any number of electrical appliances and here again is an area where the name of Philips can be frequently met. Radios, tape recorders and record players by Philips are everywhere in the world. But Philips plays a significant role in almost every form of entertainment. For instance, it was Philips that gave the world two great cine experiences—Todd-AO and Cinemascope; and the 'son et lumiere' spectacles as the one at Red Fort, Delhi.

With their world-wide research and production capabilities Philips are a major supplier to the medical world of therapeutic, diagnostic and patieni surveillance aids. Coronary bedside unit to assist the medical staff in surveilling patients with serious cardiac conditions, intensive care insallations find increasing application.

Philips equipment for traffic control include traffic counters, traffic flow and occupancy meters, besides halogen traffic lights and lane indicators. Traffic at sea and in the air are unthinkable without the aid of radar, radio beacons and radio communication to name a few of the Philips products that make man's mobility as safe as possible. The equipment shown in this section includes : electromagnetic traffic counter, inductive loop detector, traffic lights and illumination.

Engineering Exports

During the last two decades of planned development, Indian engineering industry has made commendable progress. A wide range of industrial equipment is available indigenously, for use in textile, cement, paper, sugar, tea, food processing, steel and fertilizer industries. Bulk of the requirements of capital equipment for power generation, transmission and distribution is procured locally.

The progress in domestic production is equally matched by the progress in the field of export. Starting from a nominal export of five crores of rupees in 1956, it has increased to more than Rs 125 crores in 1971-72. A target of Rs 200 crores has been fixed for the current year to be gradually stepped up to Rs 500 crores by 1978-79. A significant change has taken place in the pattern, composition and direction of our exports during the last few years.

With a view to presenting an integrated image of the engineering industry and its export potential, the Engineering Export Promotion Council has participated in the fair in a big way. It has taken 6,000 square metres of space in the Hall of Industries and seven major export sectors have been represented by the following associations : (1) Textile machinery through the Textile Machinery Manufacturers' Association; (2) Automobiles and ancillaries through All India Automobile Ancillary Industries Association; (3) Machine tools through Indian Machine Tool Manufacturers' Association; (4) Pumps and centrifuges through the Indian Pump Manufacturers' Association; (5) Air conditioners and refrigerators through the All India Airconditioning and Refrigeration Association; (6) Instruments through All India Instrument Manufacturers and Dealers Association; (7) Electric fans through the Fan Manufacturers Association.

Besides there are a large number of individual participants displaying a wide range of other products such as bicycles, hand tools, cutting tools, electrical appliances, electronics, pipes and pipe fittings, wires and cables. There are also some of the exporters of heavy engineering equipment participating in the fair who are displaying models and photographs. In all there are more than 200 participants. One of the largest consultancy firms has also participated in this pavilion.

Booking of Business by Members

Air-lifting of Padlocks to GDR: Messrs Indian Implements Manufacturing Co, Aligarh have secured an order for supply of padlocks to GDR under the current trade plan. The first consignment of 11,500 padlocks to GDR (2.4 tonnes) valuing Rs 45,000 was air-freighted by the GDR authorities by a chartered aircraft after obtaining special permission from DGCA.

A further consignment valuing Rs 1.35 lakhs is being air-freighted very soon. Orders worth Rs 45 lakhs are under negotiation with the GDR authorities.

Orders from Sweden: A purchasing team from Sweden which visited Asia'72 recently has placed orders worth Rs 4 lakhs on three firms for supply of hand tools and brass locks as per following details: Messrs Hindustan Dowidat Tools (Hand Tools) worth Rs 2.50 lakhs, Messrs Mascot India Tools (Hand Tools) worth Rs 90,000 and Messrs Indian Implements Mfg. Co. (Brass Locks) worth Rs 60,000.

Sanitary fittings for Soviet Union : Messrs Tiger Products Pvt. Ltd, New Delhi have received a trial order valuing Rs 18.7 lakhs from Soviet Union for supply of *sanitary fittings*. This is the first order ever placed by Russia for sanitary fittings from India. Another order valuing eight to ten million Rupees is expected to be finalised in December, 1972.

Orders from West Germany: Mr Von Der Muhlen of Messrs Ostimpex GmbH, Duesseldorf (West Germany) who recently visited Asia '72 has placed orders valuing Rs 15.85 lakhs for supply of bench vices, hammers and other hand tools on three Indian firms. Mr Muhlen is having discussion with several other firms. He expressed the hope that further orders valuing Rs 40 to 50 lakhs would be finalised in the course of next two to three months.

Textile Machinery

Mr Prabhu V. Mehta, (Chairman, Textile Machinery Manufactures' Association, and Regional Chairman, Engineering Export Promotion Council Western Region, Bombay) pointed out in a press statement that the Textile Machinery Manufacturing Industry, represented by twenty-two participants will convey to any visitor to the Pavilion that India is capable of manufacturing machines which compare favourably in quality, specification and performance with those made anywhere else in the world. An attempt has been made to display equipment, machinery, accessories and stores and spares in a manner which follows closely the sequence of machines as laid out in a composite textile mill.

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polygraph export

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Company for export of polygraphic machinery and plants Ltd.

GDR — 108 Berlin
Friedrichstr. 61

Exports :
Ultraset-Junior, Planeta-Brillant 02 automatic folding and stapling machine 271, including re-stapling device 301, automatic Pocket folding machine 590, high-speed- cutters, ORIGINAL-PERFECTA SEYPA 332, pattern of Patna Schoolbook printing plant and other printing machinery and polygraphic equipment.

DEUTSCHE KAMERA—UND ORWO FILM EXPORT Ltd.

GDR — 1055 Berlin
Strokower Str. 120

Exports :
Photography and Cinema Single-lens reflex camera lenses and accessories, micro and large-photo-cameras, labor equipment, still projectors and accessories, micro-film-devices, office printing apparatus.

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Colour and black/white-films for cine, TV and amateurs, films for science and technology, X-ray-films, magnetic films and — tapes and computer tapes.

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GDR — 25 Rostock
Doberaner Str. 110/111

Exports : :
Cargo ships, fishing vessels, special ships, passenger ships, vessels for inland navigation, marine propulsion plants, freezing and refrigerating plants, marine equipment of all kinds, planning and research licenses.

the banner of the Engineering Export Promotion Council and has been organised by the two Associations representing the Textile Engineering Industry, *viz.* Textile Mechinery Manufacturers' Association and the Association of Merchants and Manufacturers of Textile Stores and Machinery in India.

Indian Taxtile Engineering Industry has the capacity to build and deliver complete machines worth Rs 50 crores a year. If need be, another Rs 10 crore worth of machines can easily be built. Over and above this, the stores, ancillories and accessories manufacturing industry have a capacity to supply the requisite items worth about Rs 30 crores a year.

Some of the machines in the pavilion are built in technical collaboration with well-known foreign firms while some others are of entirely indigenous design. All these machines have proved their worth and are being utilised by the Indian Textile Industry. The Industry commenced serious efforts to export machinery in 1968 when the export of machinery, stores and accessories stood at Rs 99 lakhs. Since then, machinery worth Rs 412 lakhs, Rs 631 lakhs and Rs 500 lakhs has been exported in 1969, 1970 and 1971 respectively. In the face of international competition India has obtained small and large contracts for turn-key projects. The largest is for a complete Textile Weaving and Processing Mill in Libya valued at approximately Rs 15 crores.

Shipping and Transport

THE PAVILION of the Ministry of Shipping and Transport depicts in capsular form the growth and development of various facets of shipping and inland transport activities, notably after Independence. The participants in the pavilion are the Directorate General of Shipping, the Shipping Corporation of India Ltd, the Department of Lighthouses and Lightships, all the major Indian Ports, Roods Wing, Bridges Section, the four major shipyards in the country and Inland Water Transport Directorate. In a joint venture such as this, thematic unity receive precedence over comprehensiveness. The idea is primarily to project an integrated image of the country's march in these various directions over the last 25 years.

The first section that the visitor enters is the Heritage section. The entire section captures the essense of the early traditions of all the participants in the pavilion. This section is housed in a wooden structure resembling boat.

As one reaches the first landing, one is face to face with an imposing spectacle of a giant ship berthed on a massive water body with a giant blown-up photograph of a port scene as the backdrop. A second flight of stairs takes the visitor to the first section dealing with the activities of the Directorate General of Shipping. Here again is a capsular display of the growth of Indian Shipping under the able guidance of the D G Shipping in the post Independence period. The major Indian shipping companies are represented by their house flags.

In one section the story of the Shipping Corporation ol India is told, through a delineation of its objectives, its tremendous growth plans and remarkable achievements within an incredibly short period of 11 years, the Corporation's contribution to the national exchequer, the people who man the company and glimpses of future plans. The entire ports section is housed on three different levels inside the simulated ship. The entry to the ship is through a sub-way. A ramp over the water body leads the visitor through the length of the ship's lower hold. Here the visitor gets his first impressions of the activities associated with Indian ports, through an audio-visual presentation. This is created by means of film projections on screens suspended the curved inner surface of the wall.

Roads

Through a series of maps and charts and models, the growth of roads in India with all its attendant technological improvements have been brought into focus in another section. Lending a variety to the section is a series of photographs showing places of tourist interest with the exciting exhortation "take to the roads and see the country".

Bridges

Following the section on roads is that on bridges. Here again, the story of the post-Independence development in bridge building techniques and new achievements in bridge building have been presented.

Inland Water

The story of Inland Water Transport in India has also been told in another section of the pavilion. The importance of this mode of communication has been established by underscoring the role played by an integrated and well-developed Inland Water Transport system in a growing economy such as ours. Through the use of models, maps, colourful photographs and translites, attempt has been made to establish the fact that Inland Water Transport system is an integral part of the country's economic life.

Handicrafts

The handicrafts pavilion has been conceived and executed as a unified structure. The roof of the pavilion is supported on a fabricated steel core and a translucent cloth forms the roofing material. On entering the pavilion, one steps into the hall of carpets where carpets in a wide variety of designs colours and qualities from all over the country are displayed. Indian carpets are today rated among the best known in the world for their superb workmanship, wide range of qualities and colours. Their exports have crossed the Rs 12-crore mark. In view of the increasing demand for carpets and requirement for more weavers, the Handicrafts Board has undertaken training programmes.

From the hall of carpets, one moves upwards on a circular ramp to see some charming and functional designs in different crafts — wood, bronze, stone, terracotta, costume jewellery, papier-mache, ivory and lacquerware to mention a few — all produced at the Regional Design Development Centres of the Handicrafts Board at Bangalore, Bombay, Calcutta and Delhi.

The next section is devoted to a wide range of handicrafts— items of established export potential as well as items which have definite export possibility. The samples are backed by full commercial information to enable the buyers to place orders.

The next step takes the visitor into the area of prestige crafts, mainly from the collection of the Board's crafts Museum, and private sources. It has not ignored the work of the modern artist-craftsmen and designers, who inspired by the great tradition of Indian arts are endeavouring to express themselves through various media such as ceramics, wood work, textiles and jewellery.

One can also witness in the pavilion demonstration of some of the finest crafts such as the carpet weaving and sandalwood carving.

Rural India

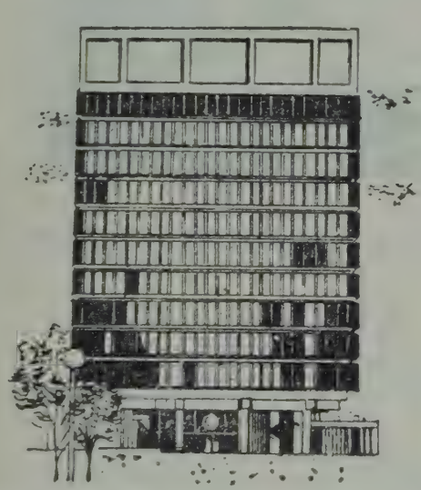
The Rural India complex modelled by the Handicrafts Board has been planned to bring out through the huts and tribal paintings, the great wealth of pure and vigorous designs that rural India abounds in. In this complex a few huts of structural and aesthetic interest are from Himachal Pradesh, Andaman and Nicobar Islands, Kerala, Gujarat and Nagaland. Gond tribal hut and Meghnath ritual construction from Madhya Pradesh as well as typical niches and courtyards of other areas have been constructed. In these

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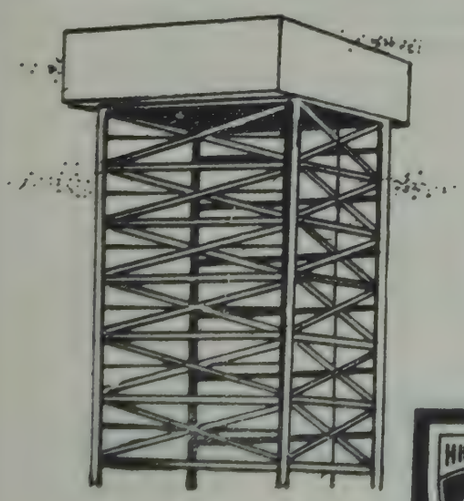
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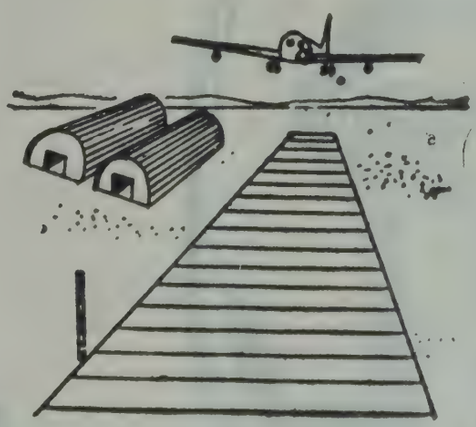
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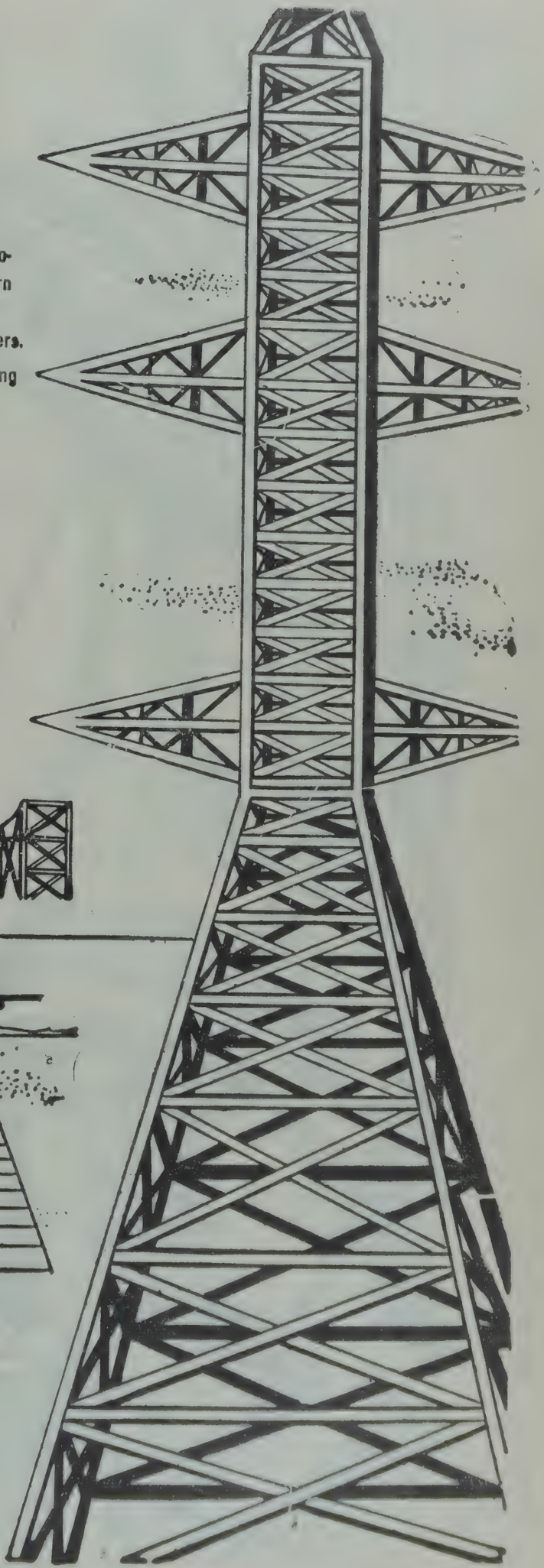
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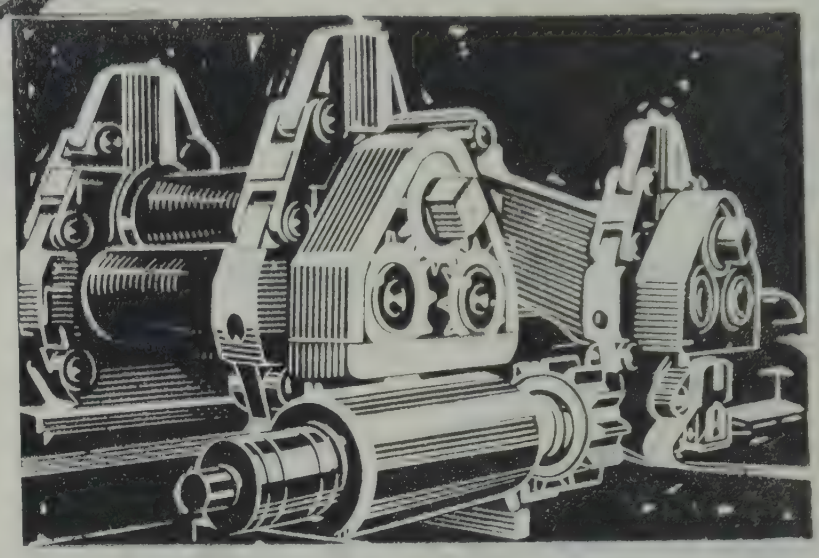
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huts and courtyards is a selection of appropriate artifacts, tools and decorations used in rural India. Of the wall decorations one sees folk and tribal paintings of Mithila (Bihar), Sanji (Punjab), Worli (Maharashtra), Saora (Orissa) and Bhil tribal painting. Craftsmen are seen at work on crafts like tribal metal casting (West Bengal), Pochampalli weaving (Andhra Pradesh), terracotta making (Tamilnadu and Uttar Pradesh), lion loom weaving (Nagaland) and pit loom weaving (Himachal Pradesh).

Austria

The subject of the Austrian pavilion is "Co-operation — Austria's share in the economic and industrial development of India." In the first group the existing economic relations between India and Austria and between industries of both countries have been demonstrated. Examples of successful co-operation range from the erection of the Rourkela Steel Plant with the implementation of the Austrian LD process, the regular supply of steel products from Austria to India and other Asian countries, the erection of the 300 m TV Tower in Bombay by Triveni Structurals Ltd, a public sector enterprise of the government of India and Voest—Austria, to technical collaborations and the establishment of joint Austro-Indian ventures in various industries. Some of these examples will cover the manufacture of railway track maintenance machinery, structural steel products, plastic machines, pumps and compressors, exploders, ball and roller bearings, special steel, agricultural tractors, plants for the rayon and pulp industry, as well as products of the chemical industry.

Another section of the Austrian pavilion is dedicated to the achievement and capacity of the Austrian iron and steel industry. This has been selected in order to demonstrate the outstanding performance of the Austrian steel industry and to emphasize Austria's worldwide reputation in contributing to the development of the steel industry.

The symbol of the Austrian pavilion has also been chosen from the steel industry. A stylized turbine covers the information and conference area of the pavilion. The peddle wheels of this turbine dominates the attractive architecture of the Austrian pavilion.

The third section of the pavilion covers, industrial and scientific research equipment and precision instruments, i.e. research microscopes, microphones, dental instruments, measuring and precision instruments, pumps and exploders amongst others.

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MOVING FINGER

India's foreign policy, as practised by the father, Nehru, or the daughter, Nehru-Gandhi, has not been without its major triumphs in looking after our national interests. Thus, we were able to secure US military aid at the time of the Chinese aggression, (a fact which some of us seem eager not to remember) and, then, when the Bangladesh crisis came, came also our Friendship Treaty with the Soviet Union. But, elsewhere, our diplomacy has often been remarkably unsuccessful in winning friends or influencing people. Ironically enough, we seem to have failed most in this respect in the areas of West Asia or Africa on which some of our most intensive diplomatic efforts have been concentrated.

It must therefore be of some pleasure to us that our businessmen seem to have been more successful than our foreign policy or our foreign office in cultivating trust and goodwill in foreign soils. Even as Idi Amin is being at his nastiest in Uganda, neighbouring Kenya has been celebrating almost as a national occasion the laying of the foundation-stone of the Pan-African Paper Mills (EA) Ltd, an Indo-Kenyan joint venture. Orient Paper Mills Ltd, under the chairmanship of Mr G.P. Birla, is the Indian party participating in the project and Kenya's President, Mr Jomo Kenyatta, while laying the foundation stone, has stated most significantly that his country welcomes the co-operation of Indian managerial and technical know-how in its economic development, and particularly, industrialization.

The presentation of the Soviet Land Nehru awards to "progressive" writers last week in the capital was a pleasant enough function and the audience was not slow to appreciate the chronological significance this time of this annual event. This, the silver jubilee year of our independence, is also the 25th year of the establishment of diplomatic relations between the USSR and India. Also, 1972 marks the fiftieth year of the founding of the Union of the Soviet Socialist Republics. The award winners on this occasion included five youngsters whose proficiency in painting or other arts was being recognised in this manner. The Vice-President of India, who distributed the awards, spoke from a prepared text. He expressed particular pleasure at having 'met' the five young award-winners; actually, however, only one of them was present on the stage to receive the award in person. Mr G.S. Pathak could easily have done some very necessary *ad lib*. Perhaps the capital makes too many demands on elderly holders of public office for public appearances.

In the issue of Novem- ber 3, I had suggested in these columns that a judicial inquiry into the "woollen rags scandal" was called for. Last week, in the Lok Sabha, it was disclosed on behalf of the government that the CBI had been asked to investigate. Rather strangely the announcement was made by the Minister for Foreign Trade. It would have been far more appropriate had the Prime Minister, who also holds charge of the Home portfolio, performed this chore.

Mr Kuldip Nayar has some interesting observations to make on Indo-US relations—or, is it non-relations?—in *The Statesman* of November 14. I am particularly intrigued by his view of the working relationship between our Ministry of External Affairs (and, presumably, the Prime Minister's secretariat) on the one hand and "Our Man" in Washington on the other. Mr Nayar says that New Delhi has been more anxious to get Mr L.K. Jha back from his ambassadorial perch in the US capital than "to read his reports, which, if nothing else, are voluminous."

Mr Nayar brings out bluntly the implications and consequences or Mrs Gandhi's cavalier treatment of our government's representative in Washington. Apart from the fact that the State Department has been taking a dim view of Mr Jha's standing in our Prime Minister's court, the Indian Ambassador, according to Mr Nayar, is considered so inconsequential that "even junior officers (of the Nixon Administration) pay him scant attention". Now, I am not going to lose even a night's sleep because all this presents Mr Jha in a poor light. Time was when I had great admiration and respect for him as one of our most intelligent and dedicated civil servants.

Unfortunately, like so many others of his class, Mr Jha seems to have been unable to think of a future without government office of one kind or the other. Otherwise there is absolutely no reason why he should have been lingering in Washington even while being treated so casually by those who have sent him there.

The greatest damage that Mr Nayar's indictment has done, however, is not to Mr L. K. Jha but to the Prime Minister herself. Did she not owe a moral responsibility to the government she heads and the people of this country to withdraw Mr Jha from Washington once she has ceased to have full confidence in him? Our embassy in Washington naturally costs a good bit of the tax-payer's money. Neither the External Affairs Ministry nor the Prime Minister's secretariat for that matter has any business to turn this expenditure into wasteful spending by deliberately undermining the importance of our ambassador and thereby preventing him from being effective or useful at Mr Nixon's court. What is an even more serious dereliction of duty on the part of the EA ministry and the Prime Minister's secretariat is that, during a period when the Indo-US relations have been particularly delicate and difficult and have even become hazardous on critical occasions, they have let our national interests be represented in Washington by an ambassador whom the Prime Minister and her closest counsellors have ceased to take seriously enough. It is most disturbing that the values of public life or political conduct have become so devalued that not even the opposition parties in Parliament have apparently thought it necessary to censure the government on its handling of our embassy in Washington.

Speaking of our Wa- shington embassy, Mr Peter Jenkins, reporting to *The Guardian* (London) from California on November 6 wrote :

"A landslide for President Nixon is predicted tomorrow when more than 80 million Americans are expected to go to the polls. The opinion pollsters, the pundits and the politicians are united in their prediction—the only odd men out are Senator George McGovern, who has to go on claiming that he will win, and *the astrologer at the Indian Embassy in Washington who has read a democratic victory in the stars*". (Italics mine).

I am sure my readers, like myself, are curious to know more about this "astrologer at the Indian Embassy in Washington." Meanwhile I am pretty certain that the embassy does not have on its payrolls an official astrologer designated as such. Most probably his formal designation is that of a stenographer or, possibly, a personal assistant or, perhaps even a private secretary to some high embassy official.

VB

TRADE WINDS

Indo-Yugoslav Trade

FOLLOWING DISCUSSIONS held between delegations of this country and Yugoslavia in New Delhi recently, both countries have reached an accord providing for continued trade relations on the basis of payments in convertible currency. It has been agreed that the Trade & Payment Agreement between the government of India and government of Federal People's Republic of Yugoslavia concluded on October 13, 1962 at Belgrade, the validity of which was extended from time to time upto December 31, 1972, governing trade and payment relations between the two countries, shall expire. From January 1, 1973, unless specifically provided, all trade and payment transactions between the two countries shall be in freely convertible currency. It was estimated that India's exports to Yugoslavia during 1972 would be of the order of Rs 17 crores while Yugoslav exports to India in 1972 would be around Rs 12 crores. Both sides have agreed that within the framework of GATT regulations they should continue to accord to each other the most-favoured nation treatment and thereby give preference to the mutual trade of the two countries.

It has also been agreed that measures should be taken to expand trade and among the measures recommended by both sides for this purposes are : exchange of commercial information between chambers of commerce of both countries, exchange of trade delegation, promotion of direct contacts between the commercial communities of the two countries, participation in international fairs, expansion of "Common List" items under the Tripartite Co-operation Agreement, continuance of Indo-Yugoslav Joint Committee within the new frame-work and establishment of joint ventures in both countries and also in the third countries.

Own Your Wagon Scheme

A novel "own your own wagon" scheme for industries such as steel and cement is among serveral proposals the Railways have been considering to rationalise and maximise wagon utilisation. Mr T.A. Pai, the Railway Minister, in an interview, enumerated a number of schemes to increase railway earning from freight traffic. He added that it was from profits made in handling goods that the Railways had to meet the ever increasing wage bill and operational cost and also subsidise passenger amentities. Mr Pai stated that under the "own your own wagon" scheme, these industries could have wagons built according to their specifications. The Railways would haul them and the wagons, when not needed, could stay at the sidings. A series of actions are being planned to maximise utilisation of wagons and increase their profitability. Detecting a tendency to use wagons as storage, the Railway Ministry has decided to amend the Indian Railways Act to reduce from 30 days to seven days the period for which the Railways have to act as the bailiff. A Bill for the purpose will come up during the current session of Parliament he added.

New Central Loan

The government has decided to borrow Rs 100 crores by floating new loans. The decision was taken on November 14, and annonnced by the Finance Minister, Mr Y.B. Chavan, in the Lok Sabha. Mr Chavan stated that the additional borrowing this year would mop up liquid cash and thus relieve the pressures of money supply on prices. It would also help him to keep deficit financing within the budgetary limits. The new loan will be raised in a few weeks. This would be the third time this year for the government to enter the market for loan.

RBI Raises Liquidity Rate

The Reserve Bank announced in Bombay recently that with effect from November 17, the minimum of assets that constitute the liquidity requirements of banks under Section 24 of the Banking Regulation Act would be raised from 29 per cent to 30 per cent of aggregate liabilities. In other words, the over-all statutory liquidity rate is being raised from 33 per cent to 34 per cent. The minimum net liquidity ratio relevant for determining the rate of borrowings from the Reserve Bank would also be raised by two percentage points from 34 per cent to 36 per cent of aggregate liabilities. These measures have been taken in the light of the overall liquidity situation and the need for continued monetary restraint in the context of the present price situation.

Credit Controls on Grains

The Reserve Bank has modified the selective credit controls relating to advances against foodgrains, oilseeds, oils and vanaspati, cotton and kapas, sugar, gur and khandsari, after a review of the trend of commodity prices and crop prospects for 1972-73 and the need for simplification in the existing provisions. As far as foodgrains are concerned, the basis for the permissible limit for advances against foodgrains have been changed from bank-wise to party-wise. Thus, the existing provisions namely 110 per cent of the average aggregate level of credit maintained in the corresponding two months' period in the preceding year has now been changed to 100 per cent of the peak level of advances outstanding per party in any of the three previous seasons, i.e. 1971-72, 1970-71 and 1969-70. Maize which had been exempted from control will now be subject to control but advances against this commodity to industrial users will continue to enjoy the exemption. The existing control in the respect of oilseeds, vegetable oils and vanaspati will continue to operate. However, the higher margin of 75 per cent enforced in Gujarat will apply to Maharashtra too. With a view to simplifying the enforcement of controls, a ceiling on credit will be fixed on a partywise basis, the peak level of credit outstanding at any time during the three preceding seasons being taken as the level of ceiling.

Assistance from Sweden

Two Agreements on Development Co-operation between Sweden and India were signed in New Delhi recently by Mr Krister Wickman, Foreign Minister of Sweden, on behalf of the Royal Swedish government and by Mr Swaran Singh minister for External Affairs on behalf of the union government. By the agreements, Sweden has commited Economic and Technical Assistance of Rs 38.5 crores (Skr 255 million) which can be utilised by India over a three-year period. An amount of Rs 6 crores (Skr 40 million) is earmarked for the current year. This is to be utilised for a variety of purposes such as imports of certain commodities, machinery and equipment and maintenance requirements of spares and components. A number of technical assistance schemes, including some in the family planning programme, will also be supported. The amount earmarked for technical assistance schemes and import of commodities will be a grant to India, while the amount meant for import of capital goods etc. will be a loan on soft terms with a repayment period of 50 years including a grace period of ten years. The loan is untied to the source of supply. It is interest free and carries only a service

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charge of three-fourth of one per cent per annum.

Export of Electronics

Inaugurating the convention on export of electronics at Shakuntalam theatre, Asia Fair site, on November 18, the Minister for Foreign Trade, Mr L.N. Mishra announced that the Santa Cruz Project of the Trade Development Authority (TDA) had been approved by the government. This project had been evolved by the TDA for the establishment of an export processing zone in electronics near Santa Cruz Airport devoted exclusively to export production. If successful, the TDA would set up similar projects in other zones all over the country.

Mr Mishra referred to the vast potential that exists for the export of electronic goods. He said that world annual trade in electronic goods was worth Rs 3,000 crores and if this country is able to secure a small percentage of it, our exports in these goods would touch the level of Rs 100 crores within the next few years.

Mr I. K. Gujral, Minister for Information and Broadcasting, who presided over the convention referred to the role of visual media in educating the masses and the place of research and development in furthering technological progress. Discussing the impact of television, he said that it could bring about a revolution in rural areas through massive participation of the people in the programmes formulated by the government. The rural population might not get formal education—and the country had made marginal progress in this regard during the past 25 years despite substantial expenditure—but the people could start participating in an active manner in such national programmes as family planning, improved agricultural practices and saving through banks. He also said that, unfortunately, radio and television were both regarded as luxuries in this country and were heavily taxed, which amounted to taxing means of information and education.

Citing figures of radio licences in the country, Mr Gujral said that this medium had not covered the whole country if the criteria applied by the UNESCO were applied. He laid emphasis on the hardware as well as the software of the electronics industry because the growth of the former was highly dependent on the quality of the latter.

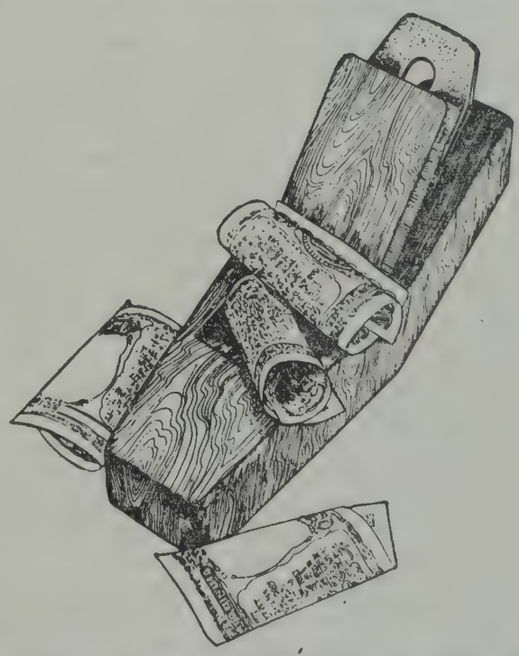
New Mineral Projects

Work was inaugurated on three major mineral projects in Orissa—the Sukinda Nickel Project, the Malangtoli Iron Ore Project and the Sargipali Lead Project. The inaugural functions were attended, among others, by Mr Shah Nawaj Khan, Minister of State in the Ministry of Steel and Mines, Mrs Nandini Satpathy, Chief Minister of Orissa and other state ministers. The Sukinda projects was inaugurated on November 19 and the Malangtoli and Sargipalli projects on November 20 and 21 respectively. The Sukinda nickel deposit located in Cuttack district is the biggest economic reserve of nickel ore discovered so far in India. A number of steps have been taken by the union government to bring this project to the production stage at an early date. According to a preliminary project report, it will be possible to produce annually 4,800 tonnes of nickel powder, 200 tonnes of cobalt powder and 17,000 tonnes of ammonium sulphate fertilizer. The capital cost of the project has been estimated at about Rs 32 crores with a foreign exchange component of about Rs 1 crore. The construction of the project, it is stated, will take about 44 months and the plant can achieve its rated capacity in the third year from the date of commissioning. Steps are now under way for the preparation of the detailed project report.

The Malangtoli iron ore Block comprises a group of 14 iron ore deposits spread over an area of 20 sq-km near Keonjhar town, about 240 km from Paradip port. Its existence has been known for quite some time. Considerable preliminary work has already been done on the deposits by the Geological Survey of India, the Orissa Mining Corporation and the National Mineral Development Corporation. A total reserve of about six hundred million tonnes of iron ore has already been indicated.

The Sargipali lead ore block is located in Sundargarh district and GSI has so far established a total reserve of 5.6 million tonnes of ore with an average lead content of about six per cent upto a maximum depth of 200 metres. This reserve, it is stated, will be capable of sustaining a production of 700 tonnes of ore per day so as to yield 9,000 tonnes

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Footwear Export

The union government has decided to canalise exports of footwear through the State Trading Corporation with effect form November 14. This decision has been taken in pursuance of the government's policy to gradually take over the bulk of the export trade of the country. Most of India's footwear exports are to East European countries. There is immense scope for increasing such exports. The USSR some time ago proposed the setting up of a shoe factory in India to Russian specifications on the understanding that the entire output would be bought by the Soviet Union. The State Trading Corporation has been handling most of the country's footwear exports in the last few years.

Supplementary Demand for Grants

Supplementary demands for grants involving an additional expendditure of Rs 309.77 crores were presented by Mr K.R. Ganesh, Minister of State for Revenue and Expenditure, in the Lok Sabha on November 14. Of this amount, Rs 2.18 crores is on revenue account, Rs 55.41 crores on capital account and Rs 252.18 crores for disbursement of loans and advances. It has been stated that the additional requirements of Rs 309.77 crores would be set off to the extent of Rs 23.87 crores on account of additional receipts and recoveries on capital account. The net cash outgo arising from these supplementary demands would thus amount to Rs 285.9 crores. The increase under revenue account is distributed over six demands and appropriations and is mainly on account of subsidy to Heavy Electricals (India) Limited towards the relief in interest on loans. The increase of Rs 55.41 crores on the capital side is distributed as follows: Rs 6.89 crores for investment in Indian Airlines; Rs 7.5 crores payable under the Indian Copper Corporation (Acquisition of Undertaking) Act and Rs 16.37 crores payable under the Coking Coal Mines (Nationalisation) Act; Rs 7.55 crores for investment in Hindustan Copper Ltd and Rs 16.65 crores for investments in Bharat Coking Coal Ltd, and National Coal Development Corporation; and Rs 45 lakh for investment in newly created Mineral Exploration Corporation Ltd.

Foreign Exchange Leakage

Some more measures are in the offing in the current session of Parliament to plug loopholes in various laws leading to foreign exchange leakage. This was stated by the Foreign Trade Minister, Mr L. N. Mishra, in the Lok Sabha. He said that the Finance Ministry may introduce Bills in the current session to amend the Customs, Central Excise and Salt Acts and the Gold Control Act. Action was also in hand to amend the Foreign Exchange Regulations Act, Import and Export Trade Control Acts and Passport Acts. The Minister told the House that under and over invoicing resulted in the loss of Rs 50 to 70 crores in foreign exchange annually. The total foreign exchange losses on account of various malpractices stood between Rs 220 crores and Rs 240 crores. Mr Mishra said that the Finance Ministry was now in consulation with the concerned departments, ministries and the Reserve Bank and CBI regarding some of the recommendations of the study team consisting of senior officials of the Reserve Bank and CBI, Out of 220 recommendations of the team, he said 211 had been accepted.

Names in the News

Mr R. R. Kamani has taken over as the Chairman of the Kamani Croup of Industries. In separate meetings on November 6, the members of Board of Directors of Kamani Engineering Corpn. Ltd, Kamani Metals & Alloys Ltd., and Jaipur Metals & Electricals Ltd , unanimously elected him as the Chairman of their respective companies to fill in the vacancy created by the demise of Mr P.R Kamani.

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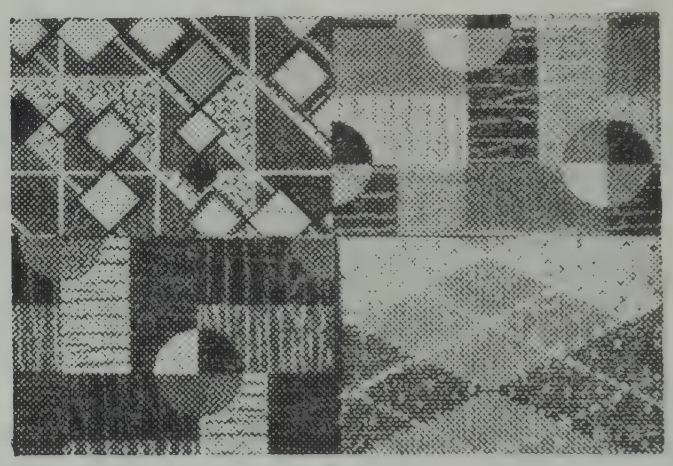
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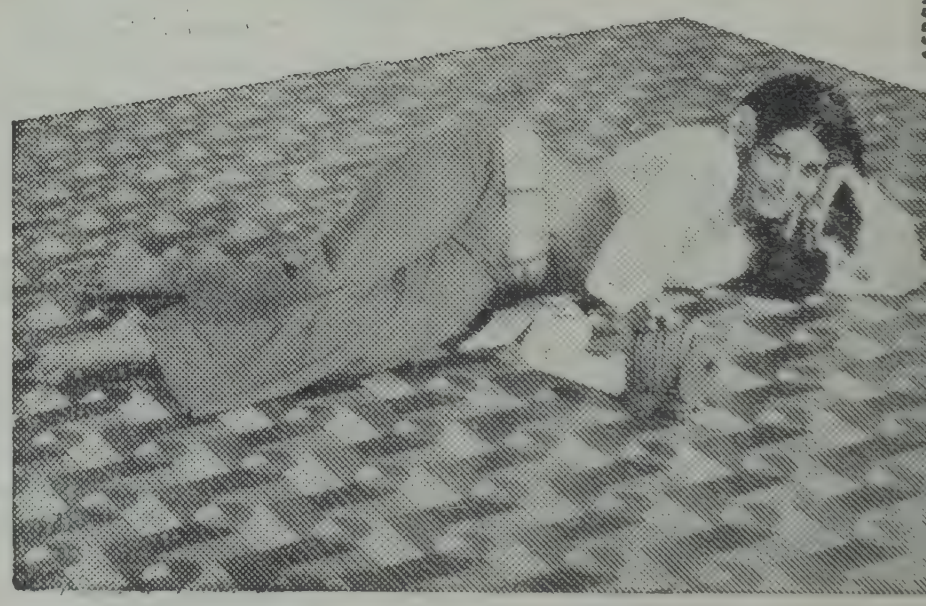
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COMPANY AFFAIRS

Sutlej Cotton

SUBJECT TO the consent of the Controller of Capital Issues, Sutlej Cotton Mills Ltd has proposed to increase the subscribed capital of the company by the issue of bonus shares in the ratio of one share for every two shares held.

ACC

The Associated Cement Companies propose to maintain its equity dividend for the year ended July 1972 at Rs 12 a share despite a sharp setback in its performance. The gross profit has dropped by about 30 per cent to Rs 8.27 crores from Rs 11.96 crores in spite of a nominal increase in sales from Rs 81.64 crores to Rs 81.76 crores and that of total income from Rs 83.03 crores to Rs 83.39 crores. The company too had setback in terms of production and despatches. Production declined from 54.20 lakhs tonnes to 51.93 lakhs tonnes and despatches from 54.40 lakh tonnes to 53.67 lakh tonnes. The fall was due to shortage of wagons for both outward movement of cement and inward movement of coal. Power cuts and interruption also constituted to the unfavourable performance.

Out of the gross profit the directors have appropriated a sum of Rs 4.43 crores to depreciation, Rs 42.14 lakhs to development rebate reserve, and Rs 191.31 lakhs to taxation reserve as compared to Rs 4.74 crores, Rs 51.49 lakhs and Rs 49.10 lakhs provided respectively in 1970-71. This leaves a net profit of Rs 150 lakhs as against Rs 221.43 lakhs in the preceding year. After adjustments the disposable amounts to Rs 154.22 lakhs—Rs 74.76 lakhs less than in 1970-71. Out of this an amount of Rs 1.83 lakhs was transferred to amortisation reserve and Rs 152 lakhs to general reserve as against Rs 2.72 lakhs and Rs 226 lakhs appropriated respectively in the earlier year. The proposed unchanged dividend will absorb Rs 3.42 crores.

Calcutta Electric Supply

The Calcutta Electric Supply Corporation's sales of units as well as the maximum demad met have at last risen above the static figures of the last three years, with electricity sold increasing to 2661.4 million units in 1971-72 from 2564.0 million units and 2568.0 million units in 1970-71 and 1969-70 respectively while the maximum demand met improved to 533 million MW as against 520 MW in both the years 1970-71 and 1969-70. The company's revenue was higher at Rs 34.89 crores as against Rs 32.67 crores in 1970-71. But the 'clear profiit' for the year was Rs 138.9 lakhs or some Rs. 80.3 lakhs less than the reasonable return to which the company is entitled to under the Electricity (Supply) Act. In fact the company for more than two years has been endeavouring to implement a comprehensive revision of its rates designed to bring the 'clear profit' into balance with the reasonable return. In spite of its best efforts there is so far no encouraging response from the government. The present acute power situation itself is a grim reminder to the authorities concerned of the dire consequences of starving a crucial industry of its much-needed finance In the present critical situation unless the company is allowed to earn a reasonable and fair return which will enable it to just to service its capital and have some margin to spare to augment development finance, irreparable damage will be done to the company and with it to consumers in Calcutta. This was stated by the Chairman Mr Sachindra Chaudhuri while addressing the annual general meeting of the company.

As the existing firm generating capacity is far from adequate, the present power shortage will continue to persist until the capacity is materially enhanced by an improvement in the performance of existing plants or by the commissioning of additional plants. In this connection chairman suggested the installation of gas turbine generators as one of the measures for quick relief. As far as the company is concerned it sought some 20 years ago the government's consent for the construction of a large new generation station in Calcutta but the government assumed the full responsibility for expansion of the generating capacity in the state. Hence the present power crisis in W. Bengal, the chairman emphasised, was entirely due to the government agencies' inability to honour its commitments with the company. It is significant to note that the company on its part has consistently maintained its record of efficiency. In fact its performance in terms of utilisation factors has rarely been equalled elsewhere in the country.

CAFI

Chemicals and Fibres of India Ltd. has come out with highly encouraging working results for the year ended September 30, 1972 with sales advancing by about eight per cent from 33.89 crores to Rs 36.46 crores and profit before tax improving by about five per cent from Rs 3.36 crores to Rs 3.53 crores. After providing the estimated tax liability of Rs 1.78 crores, the after tax profit works out to Rs 1.75 crores as compared to Rs 1.20 crores in 1970-71, an increase of about 46 per cent. The company has already paid an interim dividend of 10 per cent. This together with the final dividend brings the total distribution for 1971-72 to 25 per cent, the same as in 1970-71. But the dividend for 1971-72 is payable on an enlarged capital.

Kelvinator of India

Kelvinator of India has reported impressive improvements in its working results during the year ended June 30, 1972 with its gross profit jumping to Rs 92.02 lakhs from Rs 64.77 lakhs and sales shooting up to Rs 8.86 crores from Rs 7.46 crores in 1970-71. Encouraged by the working results the directors have stepped up the equity dividend to 17.5 per cent from 15 per cent paid for the previous year. The directors have enhanced the allocation to all the reserves substantially. The appropriation to depreciation reserve was raised from Rs 7.50 lakhs to Rs 11.30 lakhs, to taxation reserve from Rs 37 lakhs to Rs 52.50 lakhs and to development rebate reserve from Rs 0.51 lakh to Rs 2.99 lakhs. This leaves a higher net profit of Rs 25 23 lakhs as compared to Rs 19.76 lakhs in 1970-71. The proposed dividend will claim Rs 8.58 lakhs. The new 4.7 c.ft. and 2.2 c.ft. refrigerators were introduced in both the home and export markets and they have been well received. The company has secured an industrial licence for raising the production of refrigerators from 32,500 to one lakh units per annum. Steps are already underway to carry out the expansion. An application has also been made to the government for permission to undertake the manufacture of hermetic motors and other laminations. A letter of intent has in fact been obtained and also broad terms of collaboration have been approved. The management is also investigating the possibility of taking up other new lines of manufacture.

Usha Telehoist

Usha Telehoist is keeping the equity dividend unchanged at 10 per cent for the year

ended June 30, 1972, despite a sharp fall in earnings. The rights shares issued in July last will not participate in the recommended dividend. The proposed equity devidend will absorb Rs 2.65 lakhs. The dividend on preference shares at the stipulated rate of 9.5 per cent will absorb Rs 76,000. Both the dividends will be paid out of the general reserve. According to the brief preliminary working results, the company's gross profit has more than halved to Rs 13.93 lakhs from Rs 28.61 lakhs in 1970-71. The allocation to all reserves have been reduced. The appropriation to depreciation was reduced to Rs 6.22 lakhs from to Rs 5.64 lakhs and to development reserve to Rs 1.60 lakhs from Rs 3.40 lakhs while no provision has been made for taxation as against Rs 84,000 allocated in 1970-71. The net profit, after these allocations, dropped to Rs 6.11 lakhs from Rs 18.75 lakhs. After bringing in Rs 48,84 from the previous year's balance and writing back Rs 1.34 lakhs from the development rebate reserve, the directors have transferred a sum of Rs 7.45 lakhs to general reserve while an amount of Rs 4,753 has been carried forward to next year's account.

Straw Products

Straw products has reported a 7.1 per cent increase in sales for the nine-month period ended September, 1972, at Rs 6.67 crores compared with Rs 6.23 crores for the corresponding period of 1971. Although there has been an all-round rise in production costs resulting from higher wages and salaries and enhanced charges in respect of chemicals, stores and freight, without a corresponding increase in the prices of end-products, the company's gross profit for the current year is expected to be maintained at the 1971 level. The company has achieved further progress in the implementation of its expansion programme. The plant No 3 for the manufacture of speciality paper, which marks a significant phase of the company's Rs 13-crore expansion programme, has started production. It has an annual rated capacity of 7,500 tonnes and is capable of producing MF Tissues and air mail, bank and bond paper.

The company has already placed orders for plant and machinery for its coating plant designed to produce 4,500 tonnes of coated paper per year, the government having already cleared the proposal. This plant is expected to be installed by the end of 1973. The scheme of further expansion with the aid of balancing equipment, which aims at raising the production of paper by 3,000 tonnes and that of boards by 2,000 tonnes per year, has been taken up and is expected to be completed by the end of 1973. The industrial licence for the expansion of the paper mill has aleady been received and that for the board mill is expected shortly.

Sakthi Pipes

Sakthi Pipes Limited which has the only Spun Pipe plant in Tamil Nadu at Elavur near the Andhra border has an annual capacity of producing 50,000 tonnes of cast iron pipes for use in water supply and drainage schemes. The project was completed at a cost of three crores of rupees but due to the difficulties in obtaining orders rising prices for scrap and technical problems encountered in the manufacture of pipes, the company has had a chequered career and sizable losses had to be incurred. There has, however, been latterly a revival in demand for cast iron pipes and an order from the Tamil Nadu government for 30,000 tonnes of pipes is being executed.

With the import of new machinery and moulds, modifications to the existing plant and the use of pig iron, instead of scrap which is more easily available, arrangements are being made for increasing the output of spun pipes. There are large orders on hand and it will be possible to work on a break-even basis with the stepping up of production to 30,000 tonnes. In order to overcome the difficulties relating to working capital, diversifying the lines of production and improve profitability representations were made to the Tamil Nadu government for suitable financial assistance. The state government has kindly agreed to provide the financial assistance and a loan of Rs 1.25 crores will be given for meeting the immediate requirements and establishing a foundry for grey iron castings. As a condition of the granted financial assistance it will have a majority of the directors on the Board while Mr Mahalingam, one of the main promoters, will be the new chairman.

Bharat Fertilisers

The director of Bharat Fertilisers proposes to make a bonus issue in the proportion of one share for every ten shares held by capitalising a sum of Rs 2.75 lakhs out of the general reserve. The board has declared its 'firm intention' to propose a minimum of 10 per cent dividend on the enlarged capital for the first year after the proposed bonus issue. The company's earlier application for the issue of bonus shares was rejected because its average profits for the previous three years fell short of the requirement as laid down under the revised rules for bonus issues.

Blundell Eomite

Blundell Eomite Paints Ltd has received letters of intent to increase the licensed capacity of paints and enamels from 4000 tonnes to 6000 tonnes, synthetic resins from 494 tonnes to 994 tonnes and of varnishes from 1300 kilolitres to 2000 kilo litres. Although these schemes can be implemented without any significant capital expenditure, certain restrictions have been imposed by the government for which the company is negotiating.

Interim Dividends

The directors of **Modipon Ltd** have maintained the interim dividend of Rs 1.60 per share for the year ending February 28, 1973. The dividend will be disbursed on December 11.

Savamalai Estates Ltd has declared an interim equity dividend of 15 per cent for the year ended October 31, 1972. The company paid similar inte-

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Agarpara Company	March 31, 1972	15.0	5.0
Bombay Cycle & Motor Agency	March 31, 1972	8.8	7.5
Loyal Textile Mills	June 30, 1972	15.0	10.0
Oudh Sugar Mills	June 30, 1972	16.0	12.0
New Swadeshi Sugar Mills	June 30, 1972	16.0	12.0
Same Dividend			
Deepak Insulated Cable	March 31, 1972	10.0*	10.0
Graphite India	December, 31, 1971	15.0	15.0
Indo-American Electricals	March 31, 1972	12.5	12.5
Special Steels	June 30, 1972	15.0	15.0
A.V. Thomas and Company (India) Ltd.	June 30, 1972	10.0	10.0
Tractors (India)	June 30, 1972	12.5	12.5
Mysore Kirloskar	June 30, 1972	10.0	10.0

* On enlarged capital

rim and final dividends for 1970-71.

News And Notes

(*Expansion and Diversification*)

Engine Valves, the largest in the Rane group of companies is implementing a Rs 1.05 crore expansion scheme to raise its rated capacity for production of valves for internal combustion engines from the present three million to five million numbers per annum. The necessary industrial licence has been received. What is interesting is that the company is able to meet a substantial portion of the capital cost of the expansion from its own reserves. While Rs 51 lakhs will be ploughed back from the reserves, the ICICI is providing a foreign loan of Rs 30 lakhs and a rupee loan of Rs 24 lakhs. The ICICI has already sanctioned foreign exchange loan to cover the cif value of plant and machinery to be imported. The company has technical collaboration with Farnborough Engineering Company of the UK and the know-how is supplied by Ulfred Teves Kg of West Germany, manufacturers of ETE valves for the famous Mercedes Benz. The expansion will be completed by 1973-74. The company has also sought government's approval for the capitalisation of Rs 44.80 lakhs by the issue of bonus shares at four for five.

The parent company, **Rane (Madras) Ltd,** which is now producing 31,000 pairs of tie rod ends and 4,000 numbers of clutch discs, is diversifying activities by taking up the manufacture of 60,000 nos. of steering gears in collaboration with Burman and Sons. Ltd, a leading UK manufacturer. The collaboration has been approved by the union government. The total cost of the project, estimated at Rs 60 lakhs, will be met by a rupee loan of Rs 24 lakhs and the company's own reserves of Rs 36 lakhs. The cost of machinery to be imported is put at Rs 6 lakhs. The project is expected to be completed during 1973-74. The company had already capitalised 3,67,680 equity shares of Rs 5 each by making a bonus issue at one for two.

The youngest in the group, **Rane Brake Linings Ltd,** is manufacturing moulded brake linings, clutch facings, springs etc. at its factory in the Ambattur industrial estate, near Madras. During 1971 it had received a licence for doubling the capacity at a cost of Rs 21 lakhs. This had been completed on time, and the entire cost was met from internal resources. In July this year, it has received yet another licence to double the capacity to 960 tonnes per annnm. This unit has also approached the Controller of Capital Issues for capitalising Rs 16 lakhs by issuing bonus shares at four for five.

New Issues

Philips India Ltd is issuing 13,30,000 equity shares of Rs 10 each at a premium of Rs 15 per share. Of this 294,000 equity shares will be offered to N.V. Philips Gloeilampenfabrieken of Holland in conversion of their foreign currency loan to the company, 420,000 equity shares to the existing shareholders resident in India in the proportion of one equity share for every four existing equity shares held, 92,400 equity shares to the whole time Indian directors and Indian employees of the company and the balance of 5,23,600 equity shares to the Indian public. The entire amount of Rs 25 per share — Rs 10 an capital account and Rs 15 on premimum account — has to be paid in full on application and application must be

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for a minimum of 50 equity shares of multiples thereof. The subscription list opens on December 4 and will close on December 13 or earlier at the discretion of the directors of the company but not before December 6. With the issue of new equity shares the participation of the Indian public in the equity capital of the company will increase to 40 per cent.

The company has embarked on a wide ranging programme of diversification and the additional capital being raised will be utilised to finance these schemes. By pursuing consistently a policy of progressive import substitution and integration of production processes the company has been able to build a huge industrial complex and it has at present seven most modern and fully equipped factories, and a well-knit and strong marketing organisation. Phenomenal progress has been made by the company in recent years. In fact. its sales in 1971 at Rs 46.56 crores constituted an all-time record, double that of the figure achieved in 1967. It has equally maintained its impressive record of performance in respect of profits and dividends. Its profit after tax amounted to Rs 4.00 crores in 1971 as against Rs 1.58 crores in 1967. A dividend of Rs 2.40 per share of Rs 10 was declared for 1971 as compared to Rs 1.90 per equity share in 1967. It has recently announced an interim dividend of Rs 1.20 per share for 1972. The company has submitted to the government a comprehensive industrial plan outlining the areas in which the company proposes to enter in the next few years and the products involved. The plan envisages heavy investments providing for substantial expansion of its existing activities, particularly in the field of prefessional electronics covering materials, components and equipments.

Valley View Breweries is entering the capital market with a public issue of Rs 49 lakhs comprising 3,90,000 equity share of Rs 10 each and 100,000 preference shares of Rs 10 each, both at par. The company is setting up a brewery at Chakradharpur in Bihar with an initial capacity of 50,000 hecto litres per annum and to increase it to 100,000 hecto litres per annum in the near future. Negotiations for technical collaboration with a well-known firm of brewers in the UK are at an advanced stage. The company is also setting up another brewery in Purulia district of W. Bengal with a capacity of one lakh hectro litres. Besides the company proposes to establish another factory in W. Bengal for the manufacture of breakfast and milk food. The proposed public issue of Rs 49 lakhs will be utilised for financing the Bihar project.

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Readers' Roundtable

IOC in Flush

A "SHARP increase" of Rs 10 crores in the profits of the STC provoked you to go into some detail about the working of the STC—your issue dated October 10, 1972 but for some inexplicable reasons you decided to be charitable and not to probe too much into IOC's "more than adequate performance"—your issue of September 29, 1972. I wish a journal of your standing had given us some reasons for IOC's consistently good performance—the chairman had alluded into the reasons for this year's spurt in profits—but even for the earlier years the figures have been more impressive—and without being branded as an apologist of the private sector, I am prompted to ask whether, in addition to prudent management, there have been certain fortuitous circumstances which swelled their profits. Not being connected with the oil industry, I do not want to jump to conclusions, but I am tempted to raise the following queries which, if your Research Department could elucidate, should give us some clue.

(1) That IOC was lucky that their price leaders—"Foreign Giants"—were operating in a sector where the price control by the government was much less rigorous than say a sector like steel. In other words, if TISCO and IISCO, the price leaders in the steel industry in the early days, had as much freedom as the oil companies in fixing their selling prices, Hindustan Steel would have been much better off today. Unfortunately, Hindustan Steel had to operate in a sector which was unrealistically controlled at all levels by the government and IOC was lucky that this handicap was not there.

(2) That in the wake of the devaluation of the rupee in 1966 when the selling price of petrol went up by a fantastic margin—the "Foreign Giants" had to pay 57½ per cent more for their crude—IOC did not have to pay anything extra either to the ONGC or OIL for the indigenous crude. In other words, the more indigenous crude they refined the better their profits as their selling prices are linked to the prices of imported crude. The nasty word "devaluation" had brought cheer to some like the Shipping Corporation of India, Air-India and certain 5 star hotels who raised their tariff overnight by 57½ per cent. Do you think IOC also is a substantial beneficiary?

(3) How does the indigenous crude price compare with the imported crude?

(4) The products of the Cochin and the Madras refineries are marketed by the IOC. Is there a big cushion?

(5) Is there any exchange fluctuation fund to look after the violent fluctuations of the floating currencies?

I hope it will be possible for you to throw more light on the doubts raised so that your readers could judge the performance of IOC realistically.

Madras (K.V. Chalam)
October 27, 1972.

Both the first and the second assumptions in the above letter are erroneous. The oil industry in India is as rigorously controlled by the government—if not more—as the steel industry. The sale prices of all bulk petroleum products—motor spirit, kerosene, diesel oil, etc., are subject to ceilings.

Further, unlike in the case of steel where selling prices are fixed primarily taking into consideration the cost of production and the low capital block of TISCO and IISCO—to the detriment of Hindustan Steel whose block capital and consequently, cost of production is higher—the consumer prices of oil products are related more to the operations of Indian Oil Corporation, which puts the foreign oil companies operating in the country at some disadvantage. This would be clear if note is taken of the fact that currently the crude price taken into account for fixing the ceiling prices of bulk petroleum products is about $1.66 per barrel (it changes somewhat according to the specific gravity of crude) at which level foreign exchange is released to the three refining companies of Burmah Shell, Esso Standard and Caltex. These foreign companies, however, are paying much higher prices for their crude supplies. Since foreign exchange allocations to them are determined on the basis of the above price of about $1.66 per barrel and their production capacity, they are obliged to import less crude. This has affected their profitability to some extent.

Crude supplies are available to IOC refineries from indigenous sources—OIL and ONGC—at the import parity, which, as stated above, is around $1.66 per barrel, varying slightly according to the specific gravity of crude. This evidently does not give an edge to IOC in sale prices. Since the sale prices of the bulk petroleum products are related to the import parity price of crude oil, the refineries affected are of foreign operators. In the case of Cochin and Madras refineries, the allocations of foreign exchange for crude oil imports are made in terms of their supply agreements. They are allowed a higher price for crude. The IOC lifts their products at the controlled prices. The refineries are at a disadvantage. But no advantage is derived by IOC from this arrangement.

As regards crude supplies to the IOC refineries at Gauhati, Barauni and Koyali, the formula is import parity. After the devaluation of the rupee in 1966, import parity went up in the case of IOC too, to the same extent as in the case of foreign oil companies. The sale prices of products were revised upwards in accordance with this import parity. The current difference between the prices of crude oil available to IOC refineries and those of the crude oil brought in by Burmah Shell, Esso and Caltex—and also Cochin and Madras—refineries has arisen as a result of the stepping up of posted prices of crude in the West Asian countries, following the agreement between the oil producing and exporting countries and the international oil companies operating there.

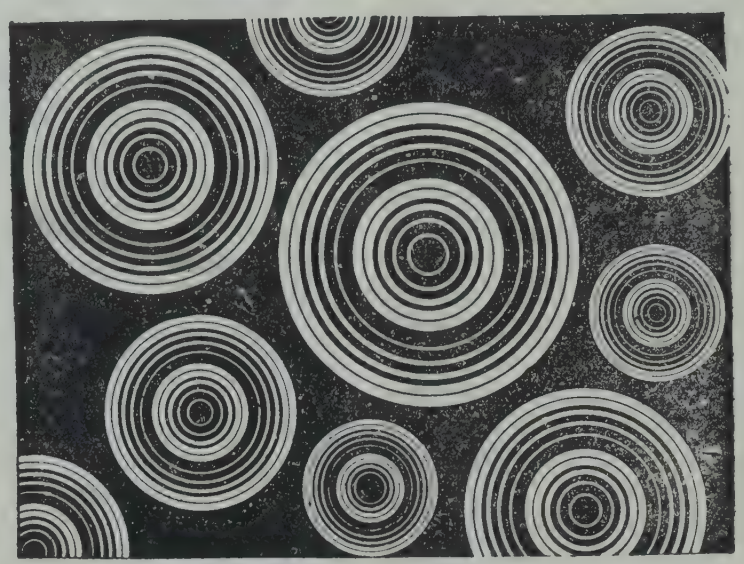
One fact which has helped the profitability of IOC in the past two or three years is that, following the recommendation of the Shantilal H. Shah Committee, the inland refineries too have been made the pricing points for petroleum products. Earlier the pricing points were the port towns. This has obviated freight losses to IOC which it had to incur under the old pricing formula. The making of refineries as the pricing points for petroleum products, of course, was justified as inland refineries had to be set up in the country to judiciously use domestic crude oil.

The IOC also does not enjoy any special fiscal concessions. The large, and still increasing scale of its operations is another important factor which has enabled it to yield good profits. The factors responsible for the phenomenal rise in profits last year have been explained by the chairman of IOC in his address to the 13th annual general meeting. Here is the relevant excerpt from his above address:

"The total profits during the year, before providing for depreciation and interest, were Rs 53.42 crores, as against Rs 31.32 crores in the previous year. After providing for depreciation and interest, the profits amounted to Rs 36.94 crores during the year, as against Rs 15.77 crores in the previous year. The increase in the profits has been phenomenal. It may be recalled that last year several extraneous adverse factors had decreased the profits of that year. Some of these adverse factors which needed remedial action were recently set right by the government of India. Thus, the government of India recently allowed the oil industry to reimburse itself (through the medium of surcharge on the price) the under-recoveries on sales-tax, which your corporation had suffered on the sale of the products of the Cochin Refineries Limited and the Madras Refineries Limited. The Corporation was also allowed reimbursement of the non-recoverable element of duty (devaluation duty) which it had to pay on imports."

—Editor

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RECORDS AND STATISTICS

Wholesale prices

THE WHOLESALE prices as measured by the official index (with the year ended March, 1962=100) advanced by 2.5 per cent to 207.5 in August, 1972 as against 202.5 for July, 1972. The index for August, 1972 was higher by 8.4 per cent when compared to 191.4 for August, 1971. The rise in the 'All Commodities Index' over the previous month has been shared by an increase in the indices of the following constituent groups 'food articles' (+3.7 per cent to 244.9), liquor & tobacco (+5.6 per cent to 235.5), industrial raw materials (+2.2 per cent to 193.1), machinery and transport equipment (+0.2 per cent to 167.1) and manufactures (+0.9 per cent to 175.4). The indices for, fuel power, light & lubricants' and 'chemicals' groups, however, declined by 0.1 per cent each to 178.7 and 198.6 respectively.

Food Articles

The sub-group index for 'cereals' rose by 4.0 per cent to 234.3 due to an alround increase in the prices of cereals. Higher prices of all the pulses (except masur which moved down) raised the sub-group index for 'pulses' by 2.7 per cent to 332.1. The sub-group index for fruits & vegetables' declined by 0.2 per cent to 233.1 due to fall in the prices of potatoes, onions and oranges. The prices of bananas and cashewnuts, however, moved up. The sub-group index for milk & milk products' stood at 225.7 as against 225.5 for the earlier month. The sub-group index for edible oils' went up by 3.7 per cent to 222.0 due to a rise in the prices of all the oils under this sub-group. The sub-group index for 'fish, eggs & meat' moved up by 2.1 per cent to 289.0 owing to higher prices of eggs and fish. The sub-group index for 'sugar & allied products' rose sharply by 10.9 per cent to 308.0 due to an advance in the prices of sugar, gur and khandsari. Lower prices of pepper black chillies, tea and betelnuts brought down the sub-group index for 'other food articles' by 2.2 per cent to 165.8. The prices of turmeric, cummin, cardamoms, coffee and salt, however, went up.

Liquor & Tobacco

The index for 'liquor & tobacco' advanced sharply by 5.6 per cent to 235.5 due to a substantial rise in the prices of tobacco raw.

Fuel, Power Light & Lubricants

The index for this group at 178.7 as against 178.9 for the earlier week owing to a fall in the prices of rectified spirit and castor oil.

Industrial Raw Materials

Higher prices of cotton raw, wool raw silk raw & coir fibre raised the sub-group index for 'fibres' by 1.7 per cent to 160.5. The prices of jute raw & mesta, however declined. The sub-group index for 'oil-

Index Numbers of Wholesale Prices by Groups and Sub-Groups of Commodities

(Base : 1961-62=100)

Grops & sub-groups	August 1972	July 1972	August 1971	Percentage change: Aug. 1972 / July 1972	Percentage change: Aug. 1972 / Aug. 1971
Food Articles	**244.9**	**236.1**	**215.8**	**+3.7**	**+13.5**
Foodgrains	252.0	243.0	219.8	+3.7	+14.6
Cereals	234.3	225.2	206.0	+4.0	+13.7
Pulses	332.1	323.3	281.8	+2.7	+17.8
Fruits and Vegetables	233.1	233.6	232.7	—0.2	+0.2
Milk and Milk Products	225.7	225.5	218.9	+0.1	+3.1
Edible Oils	222.0	214.1	215.3	+3.7	+3.1
Fish Eggs and Meat	289.0	283.1	236.7	+2.1	+22.1
Sugar and Allied Products	308.0	277.7	219.3	+10.9	+40.4
Others	165.8	169.5	173 2	—2.2	—4.3
Liquor and Tobacco	**235.5**	**225.1**	**191.5**	**+5.6**	**+23.0**
Fuel, Power, Light and Lubricants	**178.7**	**178.9**	**173.1**	**—0.1**	**+3.2**
Industrial Raw Materials	**193.1**	**188.9**	**200.5**	**+2.2**	**—3.7**
Fibres	160.5	157.8	194.3	+1.7	—17.4
Oilseeds	227.0	220.7	222.3	+2.9	+2.1
Minerals	142.2	141.8	144.9	+0.3	— 1.9
Others	182.5	180.0	171.5	+1.4	+6.4
Chemicals	**198.6**	**198.7**	**198.1**	**—0 1**	**+0.3**
Machinery and Transport Equipment	**167.1**	**166.8**	**158.2**	**+0.2**	**+5.6**
Electrical Machinery	170.3	170.2	157.1	+0.1	+8.4
Non-Electrical Machinery	176.4	176.0	166.2	+0.3	+6.3
Transport Equipment	147.4	147.5	144.9	—0.1	+1.7
Manufacturers	**175.4**	**173.8**	**166.0**	**+0.9**	**+5.7**
Intermediate Products	**209.7**	**204.3**	**196.9**	**+2.6**	**+6.5**
F nished Products	**167.1**	**166.4**	**158.5**	**—0.4**	**+5.4**
Textiles	168.3	169.4	164.8	—0.6	+2.1
Coirmats and Mattings	187.8	187.8	175.8	Nil	+6.8
Cotton Mfrs.	164.5	164.5	160.6	Nil	+2.4
Jute Mfrs.	188.6	192.7	188.9	—2 1	—0.2
Silk and aRyon Mfrs.	128.0	190.8	124.0	—2.1	+3.2
Wollen Mfrs.	211.6	211.6	191.0	Nil	+10.8
Metal Products	199.6	195.3	173.7	+2.2	+14.9
Non-metallic Products	161.9	157.7	150.4	+2.7	+7.6
Chemical Products	155.0	154.4	150.0	+0.4	+3.3
Leather Products	99.1	99.1	97.5	Nil	+1.6
Rubber Products	159.3	159.3	157.0	Nil	+1.5
Paper Products	137,3	137.3	125.8	Nil	+9.1
Oilcakes	203.9	199.5	179.5	+2.2	+13.6
Misc. Products	124.2	124.2	123.5	Nil	+0.6
All Commodities	**207.5**	**202.5**	**191.4**	**+2.5**	**+8.4**

Source : Office of the Econonic Adviser, Ministry of Industrial Development.

seeds' moved up by 2.9 per cent to 227.0 on account of a rise in the prices of groundnuts. Linseed, gingelly seed, and cotton seed. The prices of castor seed, however, receded. The sub-group index for 'minerals' showed a rise of 0.3 per cent to 142.2 due to higher prices of fire clay. Enhanced prices of hides raw, skins raw and lac pushed up the sub-group index for 'other Industrial raw materials by 1.4 per cent to 182.5. The prices of tanning materials, however, declined.

Chemicals

A fall in the prices of nitric acid and sodium hydrosulphite was almost neutralised by a rise in the prices of caustic soda, soda ash and carbon dioxide, consequently the index for chemicals stood at 198.6 as against 198.7 for the earlier month.

Machinary & Transport Equipment

The sub-group index for 'electrical machinery' advanced by 0.1 per cent to 170.3. 'Non-electrical machinery' sub-group also moved up by 0.3 per cent to 176.6 due to a rise the prices of textile stores. The sub-group index for 'transport equipment' declined by 0.1 per cent to 147.4 due to lower prices of cycles.

Intermediate Products

The index for 'intermediate products' went up by 2.6 per cent to 209.7 due to a rise in the prices of cotton yarn, rayon yarn, coir yarn, leather, semis, zinc, tin, lead and linseed oil. The prices of tbrass sheets and copper shees however, declined.

Finished Products

Lower prices of ju'e manufactures (—2.1 per cent to 1g8.6) and silk & rayon manufacture (—2.1 per cent to 128·0 (brought down the sub-group index for 'textiles' by 0.6 per cent to 168.3. The indices of cotton manufactures, woollen manufactures and coir mats & mattings remained stationary at their last month's levels of 164.5, 211.6 and 187.8 respectively. The sub-group index for 'metal products' advanced by 2.2 per cent to 199.6 owing to a rise in the prices of Iron & steel manufactures and cutlery & hardware. The sub-group index for 'non-metallic Products' rose by 2.7 per cent to 161.9 due to higher prices of bricks & tiles. The sub-group index for 'chemical products' moved be up by 0.4 per cent to 155.0 due to a rise in the prices of dyeing materials, toilet requisites, essential oils and insecticides. The sub-group indices for leather products, 'rubber products', 'paper products' and 'misc. products' remained unchanged at their last month's level of 99.1, 159.3, 137.3 and 124.2 respectively. The sub-group index for 'oilcakes' advanced by 2.2 per cent to 203.9. On the whole the index for 'finished products' went up by 0.4 per cent to 167.1.

Index Numbers of Industrial Production

Group	Weight	1969	1970	1971	January-May 1971	January-May 1972	Perchentage Change in 1970 over 1969	Perchentage Change in 1971 over 1970	Perchentage Change in Jan-May 1972 over Jan-May 1971
General Index	100.00	172.5	180.8	186.1	184.4	198.2	+4.8	+2.9	+7.5
Electricity Generated	5.37	301.1	334.0	358.5	352.1	396.1	+10.9	+7 3	+12.5
Mining & Quarrying	9.72	147.4	149.0	153.1	154.1	167.4	+1.1	+2.8	+8.6
Manufacturing	84.91	167.2	174.8	178.9	177.2	189.2	+4.5	+2.3	+6.8
Food manufacturing	12.09	137.0	157.5	157.6	158.6	149.4	+15.0	+0.1	—5.8
Flour Milling	1.49	185.9	231 0	251.7	N.A.	N.A.	+24.3	+9.0	N.A.
Sugar	3.58	149.1	165.3	141.7	N.A.	N.A.	+10.9	—14.3	N.A.
Vanaspati	1.09	142.7	154.4	174.8	N.A.	N.A.	+8.2	+13.2	N.A.
Tea	5.12	108.1	128.4	133.2	N.A.	N.A.	+18.8	+3.7	N.A.
Coffee	0.06	137.5	129.3	197.1	N.A.	N.A.	—6.0	+52.4	N.A.
Salt	0.19	150.6	162.6	157.9	N.A.	N.A.	+8.0	—2.9	N.A.
Beverage & tobacco	2.22	164.0	170.1	182.5	174.5	169.4	+3.7	+7.3	—2.9
Textile manufacture	27.06	109.5	109.7	106.0	102.9	113.1	+0.2	- 3.4	+9.9
Cotton textiles	21.18	111.7	111.8	105.2	102.7	111.3	+0.1	—5.9	+8.4
Woollen textiles	0.63	154.2	161.6	181.6	157 9	211.6	+4.8	+12.4	+34.0
Jute textiles	3.97	77.8	85.1	94.7	91.7	102.6	+9.4	+11.3	+11.9
Footwear manufacture	0.21	177.2	161.3	168.1	151.3	161.0	—9.0	+4.2	+6.4
Wood & cork manufacture	0.80	256.6	198.7	224.1	241.3	238.3	—22.6	+12.8	—1.2
Paper products	1.61	201.4	216.5	225.7	217.1	242.4	+7.5	+4.2	+11.7
Leather & fur products	0.43	88.9	65.3	55.3	58.3	54.3	—26.5	—15.3	—6.9
Rubber products	2.22	215.5	215.7	241.8	216.4	250.2	+0.1	+12.1	+15.6
Manufacture of chemicals	7.26	217.5	236.5	252.7	253.7	302.0	+8.7	+6.8	+19.0
Petroleum refinery products	1.34	280.8	297.3	316.9	301.6	320.1	+5.9	+6.6	+6.1
Non-metallic minerals	3.85	175.2	189.2	207.6	205.2	219.5	+8.0	+9.7	+7.0
Basic metals	7.38	209.7	205.5	208.6	212.4	228.1	=2.0	+1.5	+7.4
Iron & steel	6.23	201.2	187.8	186.3	N.A.	N.A.	—6.7	—0.8	N.A.
Copper manufacture	0.08	82.2	94.6	105.8	N.A.	N.A.	+15.1	+11.8	N.A.
Aluminium manufacture	0.57	424.0	508.7	557.9	N.A.	N.A.	+20.0	+9.7	N.A.
Metal products	2.51	205.1	219.0	234.4	246.7	228.4	+6.8	+7.0	—7.4
Non-electrical machinery	3.38	349.1	369.5	378.2	367.2	395.9	+5.8	+1.0	+7.8
Electrical machinery	3.05	322.4	362.7	404.8	393.8	436.6	+12.5	+11.6	+10.9
Transport equipment	7.77	135.4	132.0	122.1	123.6	188.2	—2.5	—7.5	+7.8
Miscellaneous industries	1.23	103.3	120.0	114.0	124.4	78.9	+16.2	—5.0	—36.6

Factors A fecting Money Supply with the Public

(Rs crores)

Week ended	1971	1972				
	Oct. 22	Sept. 22	Sept. 29	Oct 6	Oct. 13	Oct. 20
Money Supply with the Public	7,526	8,223	8,189	8,231	8,320	8,357
Currency with the Public	4,553	4,710	4,668	4,734	4,817	4,809
Other deposits with the Reserve Bank	46	65	52	49	53	75
Bank money	2,927	3,448	3,469	3,448	3,450	3,473
Factors affecting Money Supply (1+2+3+4—5—6)						
1. Net bank credit to government sector	5,952	6,883	6,928	6,999	7,120	7,174
2. Net bank credit to commercial sector	1,984	1,717	1,683	1,718	1,719	1,735
Of which: Banks* net credit to commercial sector (a—b)	1,802	1,510	1,476	1,509	1,508	1,524
(a) Claims on commercial sector	5,743	6,164	6,149	6,204	6,225	6,261
(b) Non-monetary liabilities of banks	3,941	4,654	4,673	4,695	4,717	4,737
3. Net foreign exchange assets of banking sector	589	535	522	522	521	519
4. Government's net currency liabilities to the public	396	402	402	405	407	407
5. Net non-monetary liabilities of the Reserve Bank	803	974	984	962	967	972
6. Residual	592	340	362	451	480	506

*Excluding Reserve Bank

Source : Reserve Bank of India

Index Numbers of Security Prices

(Base : 1961-62=100)

Week ended	1971	1972				
	Oct. 30	Sept. 30	Oct. 7	Oct. 14	Oct. 21	Oct. 28
Government and semi-government securities-All-India-Total	97.6	97.7	97.7	97.6	97.7	97.7
Government of India	97.0	97.0	97.0	97.0	97.0	97.0
State governments	100.3	100.5	100.6	100.6	100.6	100.6
Semi-government institutions	100.3	103.0	103.1	103.1	102.9	102.8
Debentures-All-India	92.8	92.2	92.2	92.3	92.2	92.2
Preference Shares-All-India	82.3	80.3	80.2	79.6	79.9	80.1
Variable Dividend Industrial Securities-All-India-Total	90.3	90.6	91.5	92.6	92.8	92.7
Agriculture and allied activities	86.1	83.4	83.8	84.2	84.0	83.8
Mining and quarrying	49.6	33.1	32.7	32.7	32.7	32.8
Processing and Manufacturing : Total	87.1	87.4	88.2	89.3	89.5	89.4
Foodstuffs Textiles etc	73.7	77.0	77.6	78.6	78.8	78.7
Metals Chemicals etc	90.6	88.3	89.2	90.5	90.5	90.3
Others	117.0	115.6	117.0	118.0	118.5	118.7
Other industries	111.3	115.9	117.1	118.6	119.3	118.7
Financial	120.8	114.0	115.6	116.4	116.1	119.1
Variable Dividend Industrial Securities—Regional						
Bombay	98.3	99.0	100.3	101.3	101.5	101.1
Calcutta	88.9	86.4	87.3	88.7	@	89.2
Madras	83.5	82.6	83.3	84.9	86.6	86.9
Ahmedabad	68.2	70.1	70.3	70.7	70.3	69.7
Delhi	103.0	95.9	95.3	95.9	95.7	95.1

@ Stock market remained closed

Source : Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

(Base : 1960=100)

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1971*	1972*					
							June	Jan.	Feb.	Mar.	Apr.	May	June
All-India	—	—	174**	177	186	192	187	194	193	194	195	196	201
Ahmedabad	130	168	165	169	176	181	176	185	185	184	185	185	187
Alwaye	145	183	198	197	198	202	200	205	204	205	205	209	213
Asansol	140	168	176	178	189	194	189	195	194	198	198	200	202
Bangalore	144	172	180	183	186	194	191	197	196	197	198	199	203
Bhavnagar	132	173	176	178	186	194	186	199	197	200	199	201	202
Bombay	130	162	167	175	182	190	188	190	191	193	195	196	201
Calcutta	131	163	170	170	182	187	179	187	186	185	187	190	194
Coimbatore	132	151	147	154	164	177	172	185	179	180	180	183	184
Delhi	136	172	178	185	199	211	208	213	212	213	213	212	216
Dighboi	138	198	185	180	189	188	184	190	189	190	189	191	194
Gwalior	139	191	179	184	191	197	193	199	197	201	201	201	207
Howrah	137	178	181	176	186	191	184	191	190	194	192	197	204
Hyderabad	140	167	173	185	189	195	191	197	196	196	198	201	203
Jamshedpur	136	183	171	170	183	187	185	187	184	188	190	191	197
Madras	134	151	150	160	170	182	174	194	186	186	189	193	197
Madurai	128	146	148	160	177	192	186	200	197	193	193	197	197
Monghyr	151	215	185	188	205	204	196	201	206	208	210	207	222
Mundakayam	138	173	186	191	197	199	198	202	198	197	201	202	207
Nagpur	138	164	166	176	187	192	187	196	194	194	195	197	201
Saharanpur	141	188	176	181	186	196	190	203	201	204	204	203	209
Sholapur	128	165	167	176	185	198	191	205	197	194	194	192	200

*Provisional. **Average for eight months—August 1968 to March 1969. **Source** : Labour Bureau, Govt. of India.

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 1960=100)

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1971*	1972*					
								June	Jan.	Feb.	Mar	Apr.	May	June
All-India	132	146	159	161	167	174	180	176	182	183	184	185	185	189
Bombay	132	142	153	156	162	168	172	172	171	173	174	177	178	183
Delhi-New Delhi	131	142	154	162	168	174	180	176	181	184	188	188	188	189
Calcutta	126	139	152	156	162	170	174	172	172	172	174	174	176	179
Madras	133	147	154	154	161	175	188	181	194	195	195	196	195	198
Hyderabad-Secunderabad	133	147	155	159	167	174	180	175	184	183	183	184	185	188
Bangalore	133	145	156	160	164	172	180	177	183	184	185	187	188	189
Lucknow	132	146	159	156	161	166	174	169	176	179	181	177	178	182
Ahmedabad	131	146	160	162	168	171	173	168	176	176	178	179	178	180
Jaipur	133	150	162	168	176	183	188	182	191	193	197	196	192	196
Patna	139	160	179	174	180	191	190	187	188	188	191	193	193	195
Srinagar	134	143	160	167	174	184	191	187	194	196	197	197	197	196
Trivandrum	131	146	165	168	172	178	184	179	188	189	189	190	190	192
Cuttack-Bhubaneswar	142	154	164	167	169	176	184	178	186	187	187	186	188	195
Bhopal	133	144	166	166	172	180	188	181	192	193	194	192	191	203
Chandigarh	129	143	155	164	171	178	183	179	186	188	189	191	191	191
Shillong	126	134	155	163	164	166	175	172	173	172	174	179	180	181

*Provisional

Source : C.S.O.



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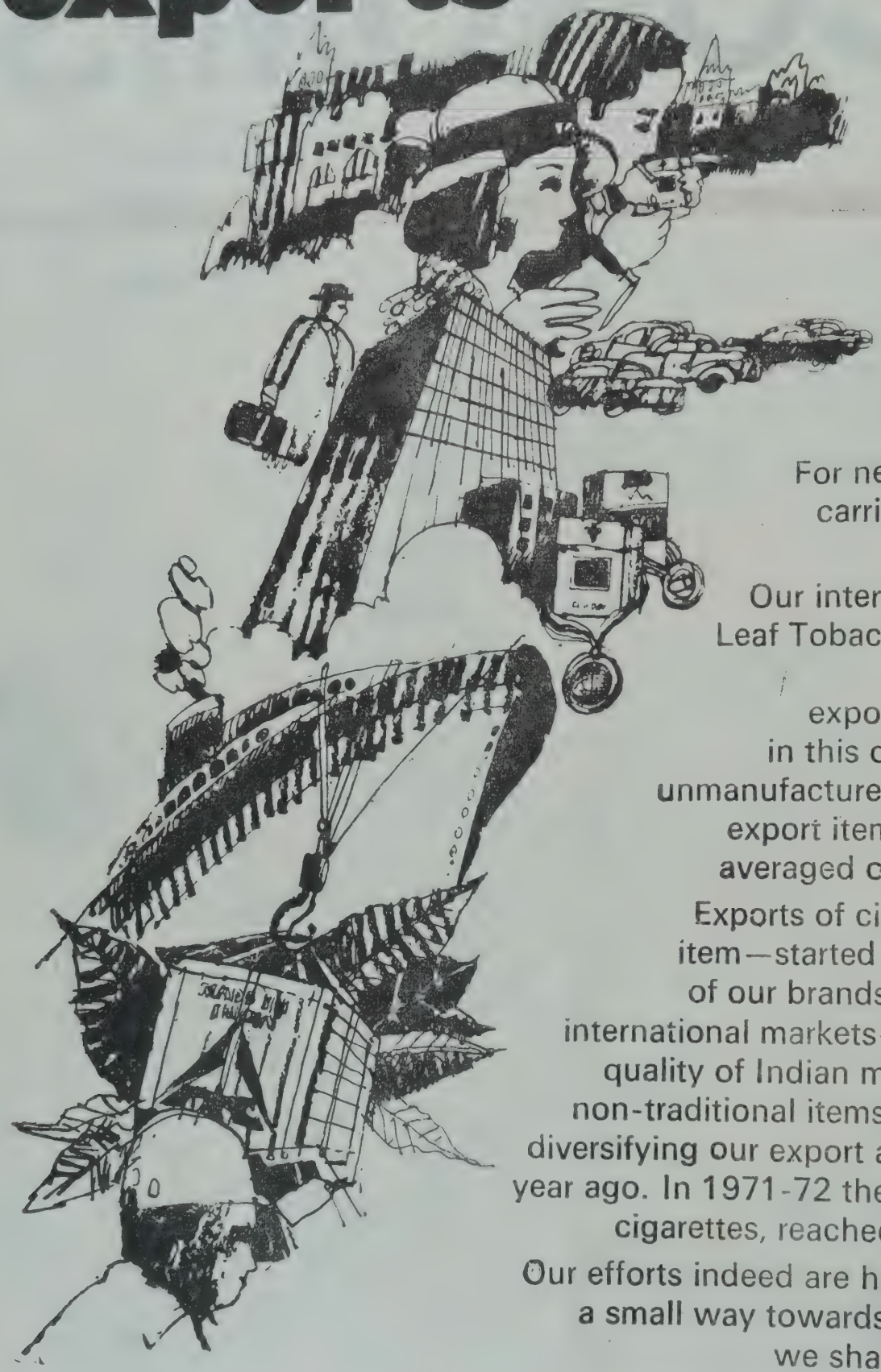
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Food and the priorities

THE GOVERNMENT of Maharashtra has been the first state government to hoist definite distress signals over the food situation. There have been uneasy reports for some time now that scarcity conditions are emerging in parts of this state, but even the regional press has not been particularly imformative so far. The chief minister, however, is now applying formally and openly to the centre for relief operations. It is high time that the public, both within the state and outside, had been taken into confidence regarding the probable magnitude of the rescue effort that will have to be mounted for the benefit of the people in the drought-affected areas.

It should be easier to assess the extent of the food difficulties in Maharashtra than to evaluate the nature of the food problem the country as a whole may face due to a less-than-satisfactory kharif season. As a matter of fact the government's statistics have tended to gyrate crazily, with the shortfall in kharif grains being placed all the way down from 15 million tonnes to about half that quantity. The plain fact seems to be that the government has just not been able to decide which estimate to put its faith in or which figure to sponsor for public consumption. In the circumstances, both the treasury benches and the opposition groups in Parliament have been able to enjoy themselves hugely, playing politics with food statistics, even if not yet with food itself.

Meanwhile a bemused country has been left to make what it may of the possibility that the government may soon be casting about in world markets for dear grain supplies in the very year in which the prime minister has decreed that the country must be deemed to have become self-sufficient in food and the Planning Commission has dutifully proclaimed a newer and brighter era of national economic self-reliance. In the circumstances — and given the extreme vagueness and the air of unreliability about estimates of the kharif shortfall—the public is in no position to form an informed opinion on whether imports are needed and, if so, on what scale or, whether the imports, assuming that they are necessary, have become so not because of the weather damage to the kharif crops but simply because the government needs to cover up the bungling in the Food Corporation of India. Not very long ago, when fear of possible damage to the kharif harvest was more acute than it has been since, New Delhi was assuring the country that the Food Corporation had reserves of nine million tons of foodgrains with which it could not only help maintain an adequate flow of supplies throughout the country, but also stabilize prices at reasonable levels. About half of those stocks has been drawn down since and the government's self-confidence, too, seems to have diminished as much as fast.

This is the time for the public to keep a head over its shoulders. If, in the coming weeks, scarcity conditions were to break out in some other states as they have done in Maharashtra, the nation must accept the necessity, however bitter, of its having to import a certain quantity of foodgrains for warding off near-famine conditions in the affected areas. Otherwise, it must insist on the central and state governments husbanding domestic supplies as efficiently as possible so that its food economy may be enabled to hold out until the rabi grains are gathered in.

Above all, the country ought to make up its mind here and now that it will not tolerate continued institutional bungling by the government, central or state, in handling the food supplies of the people. This is not the time, surely, for the state to assume extended responsibilities for direct food distribution since it is just not in a position to discharge them honourably or well. Fortunately, the governments of Mysore and Gujarat have been quick to see the writing on the wall. The adventurists or opportunists in the more vocal circles of the ruling party would only be aggravating the food difficulties of the nation if they were to succeed in pressurizing the leadership to reiterate the unrealistic mandate to state governments to take over the wholesale trade in foodgrains and organize large-scale direct distribution or retailing. Considering that the resources of the state governments concerned are likely to be fully stretched in running relief operations in scarcity areas, while those of surplus states should be properly geared to mobilising surpluses for the use of deficit regions, it would be an act of unwisdom on the part of the central government to contrive deliberately the extensive dislocation of the normal trade channels for the alleged purpose of bringing down the general level of food prices or meeting the consumption needs of the poor and vulnerable sections of the population throughout the country.

Objectively, whatever the government may attempt to do or may not, food prices will tend to thrust upward until the anxious speculation about the food outlook which,

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in part, has subsided or the promising rabi prospects are realized. By the same token, there is no sense in talks of raising the food consumption levels of the poor throughout the country in a period when the government may well have to import grain in order to sustain relief operations in drought-hit areas. The government's and the people's priorties, here and now, therefore can be only these: (a) organize drought-relief to the extent necessary; and (b) aid and assist farming communities to go after as large a rabi harvest as possible. All else would be irresponsible politics.

Drift in West Bengal

THE VISIT of Mr C. Subramaniam, the union Minister of Industrial Development, to Calcutta on November 10 and 11 provided an opportunity to the local chambers of commerce to exchange ideas with him on matters relating to West Bengal's industrial development. But the discussions do not seem to have produced any clarification from the minister about industrial policy or any assurance from him regarding measures to speed up the state's industrial growth. The industrialists complained about the severe handicaps arising from the scarcity of raw materials and power, and the operation of the monopolies legislation. But Mr Subramaniam could not say anything definite about these problems, beyond telling the chambers that the union cabinet would shortly consider his note on the proposed changes in industrial policy. The discussions revealed that neither the government of India nor the state government had really given serious thought to the industrial expansion of West Bengal where the problem of unemployment is daily becoming more acute.

Mr Siddhartha Shankar Ray, the chief minister, who also attended the meeting between Mr Subramaniam and the chambers, suggested that a definite and clear decision had to be taken on whether or not the monopoly houses in West Bengal should be allowed to expand when two-thirds of such large houses in the country existed in this state. He said that industrial expansion, increase in production, and employment for the jobless would be easier if the large houses were allowed to expand. Mr Ray gave the impression that while he was anxious to encourage the large houses, New Delhi was standing in the way. But the state government itself has been quite lukewarm in its attitude towards expansion by the large houses. In fact, the chief minister, by some of his recent speeches and actions, has given the impression that the state government is not going to take any initiative in creating conditions conducive to the expansion of activity by the large business houses. Mr Sanjoy Sen, a leading industrialist, told Mr Subramaniam about the "crisis in confidence" that continued to prevail in West Bengal. To the creation of this crisis, the contribution has come not only from New Delhi but from Mr Ray's government. Mr Sanjoy Sen said that after the government had taken over the management of some viable units, the entrepreneurs felt shaky and many preferred to sit on the fence until a clear picture emerged. But neither Mr Subramaniam nor Mr Ray seems to be in a hurry to dispel these misgivings and create a climate of confidence in a state where there has been a prolonged and persistent stagnation in industrial growth.

Mr Subramaniam suggested that a new dynamism would have to be introduced in the industries in West Bengal and that priority should be given to activising them before setting up new units. He said that the industrial units should take up planned modernisation and diversification and stressed the need for spreading out industries in the rural areas. But the industrialists wondered how these objectives could be achieved in the present conditions of uncertainty. They told Mr Subramaniam that a decision on 160 licences was still pending with New Delhi. The minister declared that not only these but future applications for licences would also be issued expeditiously. Such assurances had been given many times before but delay continues to frustrate entrepreneurs.

Mr Subramaniam said that in the last six months there had been a definite improvement in the supply of raw materials especially steel to West Bengal. But Mr Tarun Kanti Ghosh, the state Minister for Industry and Commerce, promptly contradicted him by saying that the state was getting only 50 per cent of what it used to receive in 1966. An industrialist pointed out that of West Bengal's total requirement of steel, only 11 per cent was available. Mr Subramaniam commented that other states might be getting less than West Bengal. But is this any consolation to West Bengal where a large number of industries continue to work with considerable idle capacity due to want of steel and other raw materials?

The inadequate availability of electricity was also brought to the notice of the union Minister for Industrial Development. Mr Subramaniam said that greater attention should be given to the proper functioning of the existing power plants and the transmission system and an equitable distribution of electricity. But the problem of maintaining the power plants has not been easy because of labour's reluctance to co-operate. Because of inter-union rivalry and a general sense of indiscipline, the power plants in West Bengal both in the public sector and in the private sector have been unable to operate efficiently. Mr Sachindra Chaudhuri, the Chairman of the Calcutta Electric Supply Corporation, said at its annual meeting held on November 10, this year that in 1971-72 the emoluments of the workers were increased by Rs 150 lakhs but their co-operation was not readily forthcoming. He pointed out that some sections of the company's labour force continued to resent the restriction of overtime "within reasonable limits". The workers were also opposing the installation of a modern computer and therefore the efficient working of the Corporation suffered. "Allocation of expenditure is still done manually and is consequently much in arrear", said Mr Chaudhuri. In the public sector power plants the labour situation has been much worse. The West Bengal Planning Board is reported to have calculated that the total deficit in power supply this year will be more than 350 MW. In this background, it is not clear to what extent industrial revival and expansion can take place speedily in the coming months.

The problem of unemployment in West Bengal continues to cause concern to the state government. But, unfortunately, the government seems to concentrate its attention not so much on the creation of new opportunities for employment as on compelling employers to give preference to the local people. The government does not appear to realise that the state's unemployment problem cannot be tackled so long as no fresh investment is taking place in a big way. Even professors of Economics who may be expected to view problems from a realistic angle have been pleading for giving preference to the local people in employment rather on measures to speed up the state's economic growth.

For example, the Society and Commerce Group which has been recently set up by some professors of Economics has suggested the constitution of a board by local chambers of commerce to give employment to the local people at least to the extent of 90 per cent of all appointments with emoluments upto Rs 800 per month. The Group has estimated that a minimum of 85,000 to 135,000 jobs can be offered annually to the local people in the existing establishments in the private and public sectors. The Group does not seem

to appreciate that the implementation of its proposal will create many practical difficulties, besides giving a fillip to petty parochical feelings. Advertisements for clerical and many other types of jobs bring in several thousands, even lakhs, of applications and it is extremely difficult to sort them out and make the selection. The employment exchanges continue to be ill-equipped even to perform their normal functions. How will they cope with the situation if employers are compelled to recruit only through them? All this shows that Mr Ray's Ministry though it has completed over six months in office has not yet given proper thought to problems of industrial development and employment. It is time that Mr Ray and his party tackled them with speed and realism so that some favourable impact can be made on the state's economy in the next few months.

Electronics : strategy for exports

THE CONVENTION on exports of electronics organised by the Trade Development Authority (TDA) in the capital on November 18-19 was a bold attempt to bring together all the associations of manufacturers of electronic goods in this country and the policy-makers in the government so as to discuss the ways and means for accelerating the rate of growth in exports of the products of this sophisticated industry. The value of exports of electronics goods in 1970-71 was about three crores of rupees out of a total production of Rs 175 crores *i.e.* less than two per cent of the total output. The world trade in electronic products is currently of the order of Rs 2,250 crores which implies that our share in this trade is almost negligible. Even the target of exports valued at Rs 75 crores for 1975 set by the TDA is not significantly large. If the world trade in electronic goods in 1975 remained unchanged at Rs 2,250 crores, and this country succeeded in attaining the target of exports set by the TDA, our share in world trade of this industry would be hardly 3.3 per cent.

The scope for increasing exports of electronics goods depends by and large upon the capacity of the industry to expand its area of production covering all the important sectors such as radio, television, computers, tape recorders, desk calculators, medical equipment, machine tool equipments, navigation equipment and many others where electronics has found new applications. The backbone of the electronics industry is still the entertainment sector, especially the radio industry which has experienced a prolonged stagnation. While the production of radio sets — including transistor sets — has not dropped in numbers over the past few years but the sale price per unit has been on the decline with the result that the money value of the transactions of this industry has been dropping year after year. The small-scale sector in particular received a setback after 1965 when the large-scale units were authorised to manufacture the low-priced sets — an area which had been reserved earlier for the small-scale manufacturers. Because the crisis in the radio industry was not resolved till 1970, the government of India appointed a special Electronics Commission under Prof. M.G.K. Menon, Director, Tata Institute of Fundamental Research, "to review the entire field of electronics with regard to research, development and industrial operations, with full authority to formulate policy in this field and to direct implementation on sound technical and economic principles". During the past 18 months the Electronics Commission has been trying to grapple with the numerous problems which the electronics industry faces currently though in the meantime the rate of growth of the industry has slowed down. It had been anticipated that the total value of electronics goods produced in this country would rise from Rs 175 crores in 1970-71 to Rs 225 crores in 1971-72. Latest estimates indicate that the value of output in 1971-72 was not more than Rs 185 crores. This is indeed far removed from the pace of expansion anticipated by the Bhabha Committee which had indicated that the industry would double its production every five years.

The Electronics Commission has made some progress in regard to analysing the problems facing various sections of this industry. The chairman of the Commission, Prof. Menon, has started with the preparation of a data bank in the absence of which it was difficult for him to take any long-term decisions. He has moved cautiously and has taken some decision which may not hasten the expansion of the industry immediately but would certainly lay the foundations for faster growth in the next few years.

An important announcement was made at the convention by the Minister for Foreign Trade, Mr L.N Mishra, regarding the electronics project at Santa Cruz. He said that the government had approved the 100 per cent export-oriented project evolved by the TDA for the establishment of an export processing zone near Santa Cruz airport. The chief merit of this project is that it lays great emphasis on technology rather than repetitive operations. It would encourage the manufacture of electronic products instead of their pure assembly. The foreign collaborators would bring in technical know-how and make use of the professional electronic skill which is available in abudance in this country. It was also made known that the sale of electronic products by

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DECEMBER 5, 1947

What are the prospects of economy? It is rather unfortunate that the Finance Minister has not said anything helpful on this point. The only remark which he allowed himself was in fact definitely discouraging. If he seriously believes that the expenditure on civil administration is not unduly high and if he has nothing to say on the scope for economy in any other direction, we are constrained to remark that his assurance of tax relief loses a good deal of its validity. It is possible that Mr Shetty has not had time to address himself to this question of economy; in which case, we would urge that it is among the most urgent issues, which should claim his attention between now and next February. If our analysis is correct, the mere reduction and ultimate disappearance of' abnormal' expenditure on food imports and refugees—even supposing that this disappearance actually takes place in time to benefit the national fisc in the financial year 1949-50—will not automatically make it possible to provide tax relief to industry; it is of course needless to say that a deficit cannot be budgeted for mercy with a view to providing that relief.

Indian manufacturers to the Santa Cruz units would be deemed as exports. If this project turns out to be a success, the government is likely to set up four to five similar export processing zones in other parts of the country.

Discussing the role of the large-scale sector in the export of electronics, Mr S. Pandit (Director, Philips India) said that "export is a function of large-scale sector though in the context of exports, this sector as yet does not exist in India". He also hastened to add that even large-scale manufacturers in this country were indeed small-scale by world standards and not up to international standards in mass prodution techniques. He deplored the futile controversy between the large-scale and small-scale sectors because "the resources of large-scale sector can always be employed profitably to build the small-scale sector industry". He advocated a synthesis of the two sectors in the larger interests of the country which would help in creating a strong base for exports instead of relying on chance exports to such countries as the UAR and Sudan. He further urged that if this country had faith in exports, it must demonstrate it by establishing export-oriented manufacturing capacities and not treating exports as an afterthought for products not designed with an eye on the world market. He also stressed the need for building an image for such an export-oriented industry in the overseas markets.

Almost all the speakers commented upon the sophisticated character of the electronics industry and the hazards faced by manufacturers due to the high degree of obsolescence. Mr Gurpreet Singh (Managing Director, Continental Device) referred to the small number of manufacturers in active electronic components and their incapacity to keep pace with technological developments abroad. There is no doubt that some units in this country have acquired capabilities for the manufacture of diodes and transistors (discrete devices) but there is no capacity for the development and manufacture of basic integrated circuits, MSI and LSI circuits. The absence of these sophisticated components and circuits, in the view of Mr Gurpreet Singh, is a great impediment in encouraging exports. Moreover, in the world market, every new electronic product has a life cycle; if a unit manufactures and exports it in the beginning stages of the upswing, there is a high margin of profit. Prices start declining as the product covers a part of the life cycle. It means that the Electronics Commission has to act quickly and take prompt decisions on applications of the manufacturers and the exporters. The semiconductor industry of this country entered the export market when the discrete devices had seen the best of their life cycles and were selling at rock bottom prices. "Delays in the implementation of programmes for manufacturing more sophisticated devices will make it increasingly more difficult for Indian manufacturers to be truly competitive at any level of sophisticated technology", added Mr Gurpreet Singh.

That this country is still lagging behind in the manufacture of sophisticated electronic quipment such as colour television, industrial electronics, computers, electronic domestic appliances and components is a fact and was stressed by more than one participant in the convention. It is now for the Electronics Commission to evolve a strategy to raise the level of technical know-how in this country. Some decisions taken by it have had, without doubt, beneficial results. Its policy of licencing more than 60 manufacturers for black and white television sets has given a wide choice to the consumer though TV prices have not dropped so far. Regarding computers, it has sought to encourage indigenous manufacture and import from the USSR against rupee payments. It has also issued a number of licences for the manufacture of a wide variety of electronic equipments and components. However, in the absence of a broad strategy for exports in collaboration with the TDA and the manufacturers' associtions, the efforts of the Electronics Commission may not result in the attainment of the targeted exports. And the strategy was spelt out in lucid terms by Dr B. H. Wadia (Consultant, Behram Wadia and Associates) who advocated that this coutry should start with a special drive for the export of consumer electronic articles utilising Indian components which should be followed by the sale of components and sophisticated electronics epuipments. Perhaps this is a better way than trying to move on all fronts simultaneously.

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Social background of administration

Dr A. Appadorai

THE IMPORTANCE of public administration for the successful working of democracy is not a matter of debate; impartial and efficient administration is the *sine qua non* of success in a democratic state. Its importance has increased with the increased activity of the state. The modern state is a social service or welfare state; its functions have, therefore, increased enormously. As the scope of state activity widens, the civil service grows not only in number but in power, for every extension of the area of their activity increases the points at which officials and citizens come into contact with each other. In our own country, ensuring the impartiality and efficiency of administration has become a matter of crucial importance, for the criticism is widely heard that all the five-year Plans and the expenditure of vast sums of public money have hardly resulted in the improvement of the living conditions of the common man. Delay, corruption, the misuse of public funds and the ineffective implementation of well-conceived reforms such as the land reforms are cited to show that administration has not been geared to the task of fulfilling the rising expectations of the enfranchised masses.

best talent

The question may be asked, what are the factors which contribute to the efficiency of administration? Recruitment to the civil service of persons from the best talent available in the community is of course the first factor; coupled with this is the creation of conditions—of proper placement, advancement in the career, and rewarding of merit—which keep the administrators contented, nay, enthusiastic in their work. A dedication to the work is, of course, demanded of every one, but more especially of the civil servant. The Prime Minister has in recent months spoken of a committed civil service; the phrase used is unfortunate because it may be interpreted—and has been interpreted by those who oppose her—as commitment to the ideology and the programmes of the ruling party. But commitment, properly interpreted, should mean that the civil servant must be committed to the welfare of the common man and to the dedicated service of the community. "Commitment has two constituents", writes an administrator,—"one, a firm faith in certain fundamentals and, two, a firm resolve to achieve these fundamentals.

national goals

As a nation we have set to ourselves certain goals. These are embodied in our Constitution as the Directive Principles of State Policy. Our commitment has to be to social justice, to higher and better production, to the more equitable distribution of the produce and above all to the enrichment of the quality of life at all levels". Finally, the administrator has to develop the attitudes of impartiality and integrity; he has to be innovative and, in our revolutionary times, to evolve new techniques for dealing with the complicated problems which economic development with social justice is throwing up every day.

In the context of efficiency and impartiality which we are discussing, how far is the social background of the administration a relevant factor? In a brilliant book recently published,* Prof. V. Subramaniam has studied the socio-economic data (father's occupation and salary, the caste and religion, educational and regional background etc.) of some 2000 or so direct recruits to the Indian Foreign Service, the Indian Police Service, the Indian Administrative Service and various central services selected through the competitive examinations from 1947 to 1963; such a research study of the socio-economic data is "supplemented by a survey of all the promoted officers of the Indian Audit and Accounts Service and of a random sample of mature age recruits of the Indian Administrative Service."

It is interesting to summarize the conclusions Mr. Subramaniam has arrived at as a result of his painstaking study. Broadly speaking, it is clear, according to him, that all the services referred to above are drawn in common from the urban salaried and professional middle class of India to the tune of 80 per cent and over. Their differences relate only to the respective share of the various sub-classes of this middle class. Thus, businessmen and business employees are less well-represented than civil servants and professionals. There are practically no sons of big businessmen and only a few sons of the business executives of large firms. Those who are drawn from a commercial background are mostly the sons of small-town merchants or the employees of small business houses. Outside the middle class, the farmers and agricultural labourers forming the bulk of the work force are grossly underrepresented in all the services even more than the artisans and the industrial workers.

broadening of composition

In recent years, the social composition of the administrative class has been somewhat broadened, partly due to the larger intake of recruits and partly due to the recruitment of a quota of candidates from the Scheduled Castes and Scheduled Tribes (who are generally drawn from the houses of poor framers, artisans, school teachers or lower civil servants). This broadening of the social composition of the administrative class — though marginal — has been accompanied, Subramaniam points out, "by features such as a more even distribution of recruits from different states, different language groups and different educational institutions... and a simultaneous fall in the proportion of first class graduates." Nevertheless, according to Subramaniam, it would be true to say that the small middle classes in India. (roughly 10% of the population) has a virtual monopoly of contributing to the senior administrative class.

To revert to the question we earlier raised, what is the connexion between the

* *Social Background of India's Administration.* A socio-economic survey of the higher civil service of India by V. Subramaniam (Publications Division, Ministry of Information and Broadcasting, Government of India, 1971, Price Rs. 22).

social background of administrators and administrative efficiency and impartiality ? On the one hand it is argued that as the civil service in the modern state wields great power in the formulation of policy and in its implementation, the more equal representation of the various classes in society — farmers, industrial labour, professionals, etc. — in the civil service would make for a truly representative and, therefore, responsive civil service; the interests of the unrepresented or inadequately represented classes will otherwise go by default. A representative bureaucracy must, therefore, consist of a reasonable cross-section of the body politic in terms of occupation, language, class, geography and the like, and must be in general tune with the ethos and attitudes of the society of which it is a part.

free from prejudice

On the other hand, it has been contended that, there is hardly any evidence to show that administrators, when recruited as such, carry any prejudice against classes other than their own or that they do not have the aim of promoting the general good of the community. Unsocial conduct is not a monopoly of any one class or group in society. The present writer, as a member of the Union Public Service Commission, had to deal with a variety of cases of disciplinary action against members of the civil service for malpractices, illegal use of power and the like; and the cases included members of the socially advanced classes as well as the socially less advanced classes. Nevertheless, Subramaniam is on strong ground when he states his view that a representative bureaucracy—i.e. civil service having a broad social composition—makes a modest contribution to the stability of the body politic by promoting a general *feeling* that the interests of all groups and classes are not forgotten in the increasing number of decisions made by the bureaucracy.

The rise of the non-Brahmin movement (the Justice Party) in Madras in the twenties of the present century against the practical monopoly of government service by the Brahmins is a pointer to the fact that a broader social composition of the bureaucracy may be called for to generate the feeling of contentment and stability in the body-politic. Nevertheless, it cannot be too strongly urged that such broadening of the social composition of the civil service is best attained not by reducing the qualifications laid down for entrance to the civil service but by giving greater opportunities for the unrepresented classes through government scholarships and the like to come up educationally and compete on equal terms with those classes already represented in the civil service.

The present writer would make an observation on the interview (conducted by the Public Service Commissions) which Subramaniam apparently considers "short and desultory", which he would like to be replaced by planned tests of personality and aptitude. There is, clearly, room for research here; but let us not forget an advantage of the interview as now held: it gives scope for the articulated expression of one's inner personality and intellectual integrity. Years ago, when the present writer was a member of the Union Public Service Commission, he asked a candidate if he had heard of Wodehouse's famous character Jeeves, and he unhesitatingly replied, "yes, of course, I have read dozens of Wodehouse's novels." When probed further and asked to give an instance of where Jeeves had saved his master from unpleasant situations, he not only could not name any but showed by his answers that he had not read *any* of the novels. The candidate's intellectual integrity was clearly tested.

Before we close this article a brief reference may be made to another useful contribution made by Prof. Subrahmaniam to an allied subject—*The Management Class of India*.* In this book, he studies the background of managers in five highly management conscious firms—the Shell, ICI, Hindustan Lever, Indian Aluminium and the Tatas—and also in a large group of 19 other firms such as the Associated Cement Cos. Ltd, Dunlop etc. It is clear that a separate management class has been developing in India in recent years; Subramaniam comes to the conclusion after a study of the social background of the managers in these firms that "in regard to social origins, the large majority (over 85%) comes from the professional middle class (but for a few landowners) and more than half from the upper middle class at that".

Both the books by Prof. Subramaniam are worth careful study by those interested in public administration and business management.

*The *Management Class of India* by V. Subramaniam (All India Management Association, New Delhi, 1971, Rs 10).

RECORDS AND STATISTICS

Editor : R. V. MURTHY

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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Raj committee on taxation

S. S. Johl

THE NEED TO tax agricultural incomes cannot be questioned at this stage especially when there exist wide income disparities in the farm sector. In 1970-71, 0.79 per cent of the rural house-holds in India earned Rs. 20,000 per annum or more and accounted for 9.78 per cent of total agricultural incomes. The Raj Committee has rightly emphasised that considerations of equity demand that top 10 per cent of the households in India should be taxed appropriately because they account for 25 per cent of the total private consumption, over 40 per cent of the total households income and not less than two-thirds of the privately owned wealth. Thus the Agricultural Holdings Tax suggested by the committee rests on a sound logic. The implementation of the scheme has also been dealt with competently. There are, however, a few points which demand a more thorough consideration.

average yield

The average yield has been suggested to be worked out on the basis of preceding ten years. This is too long a period, especially in the situation of a fast changing production technology. Five year averages are enough to take account of the year to year climatic variations. Again, the average of three years' post-harvest prices does not make any sense in the case of commodities such as wheat, jowar, bajra and paddy where the support and procurement prices are guaranteed (now before even the sowing time). The procurement prices guaranteed to the farmers for such crops can be used directly for working out the rateable value.

The report did not deal with the issue of incomes derieved from livestock enterprises. The poultry enterprise has developed to a considerable extent in some parts of the country and promises handsome gains. The dairy enterprise competes profitably with other crops at many places. These enterprises are expected to expand fast in the near future and should not be, therefore, excluded from the scope of agricultural taxation. There also does not appear to be any justification for excluding fodder crops from rateable value of the holdings to the extent the fodder crops are raised for feeding commercial dairy animals.

The marketing of fruits is one of the major and special cost item for fruit growers. Some special allowance, over and above the 60 per cent general cost deductions, needs to be provided for in working out the rateable value of lands. While discussing the elements of direct taxation, market fee has been considered as a charge on farmers. In the case of regulated markets, in Punjab which have been quoted as an example in the report, this charge is on the buyer, not on the producer-seller.

easier estimation

There is a suggestion to develop some crop groups in order to make the estimation of rateable values of farm holdings easier. It is a cumbersome process to develop crop-group costs and yields than to work out the same for individual crops. Crop groups would sure introduce more complexities and will make assessment of the rateable value in no manner easy. An operational holding has been made the basis for assessment of the rateable value and Agricultural Holdings Tax (AHT). One of the objectives listed is that it will discourage illegal or concealed lease of lands. This seems to be a misplaced hope. Instead, it should carry more chances of illegal and concealed leases and evasions than in case of assessment based on ownership holdings. Ultimately the incidence of AHT will be borne by the owners of land or tenants depending upon their holding power and supply and demand forces. The operational holdings will vary in size more frequently from year to year than the ownership holdings would do, especially when operational holding is made the unit of assessment. It will involve tremendous amount of accounting and verification work. Ownership holdings with a provision for recording tenancy status (which in any case is assumed in the Raj Committee approach) is a batter basis of assessment for AHT. The committee estimates a revenue of Rs. 200 crores from AHT, for which no scientific basis is given. Such figures are anybody's guess especially when the assessment is made on the basis of operational holdings which have a high degree size flexibility.

canon of equity

There does not seem to be any logic for taxing the holdings with rateable value below Rs 5000, when an exemption up to this level is given for non-farm incomes. The canon of equity demands that the holdings below Rs 5,000 rateable value should not be taxed even later on 'at the convenience of states' so long as such exemptions exist in the non-farm sector. Some interesting calculations have been made by the committee for a person obtaining Rs 23,000 as non-agricultural income and Rs 8,000 as agricultural income. If a person derives whole of his income *i.e.* Rs 31,000 from non-farm sources he has to pay Rs 6,500 as income tax. If, however, the same amount of income is derived with Rs 8,000 from agriculture, he has to pay Rs 5,490 (an advantage of Rs 1,010). Why should this advantage exist simply because a part of the income is received from agriculture? This would leave ample scope for non-agricultural earners to show part of their incomes originating from agriculture. The committee has ignored the other side of the coin also. Actually a person deriving Rs 31,000 as non-agricultural income is entitled to many exemptions under the existing law and can reduce his liability to pay taxes to Rs 2881.90; yet for a person deriving income from agriculture alone, there are no such provisions and he will have to pay an AHT of Rs 4,500. Thus in balance a person deriving income solely from agriculture will remain at a disadvantage.

On the whole the report is an intelligent attempt at roping in the substantial earners of income from the agricultural sector. With some further refinements and modifications the approach of the committee can yield handsome revenue to the state without having to ignore considerations of equity and justice in the farming sector.

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Railway accidents

L. G. Bapat

ON THE 25th anniversary of our Independence Day, the Madras-bound Super Express from Trivandrum collided against a Trivandrum bound passenger train at Kadayanallur station, 26 km. from Tenkasi junction. Thirty-five persons were injured, five of them seriously. This is a strident reminder to the new Railway Minister Mr T.A. Pai, that even after two decades of planning, all is not well with our railways.

According to the Review of Accidents on Indian Railways for 1970-71, published by the Railway Board, the railways handled a traffic of 298.2 million kms in 1951-52 (Table I). Last year, the traffic had gone up to 466.54 m. km. Thus, there was an increase of 57 per cent in the traffic handled by the railways during the last two decades. On the other hand, the total number of railway accidents declined by 70 per cent from 16,142 to 4,918 in 1970-71.

However, the *total* number of accidents does not give a correct picture about the safety of railway travel as, in the railway parlance, even a failure of railway engine is considered as an accident, even though it causes nothing more than a few hours' delay to the passengers. Hence, it is necessary to concentrate attention on *consequential* accidents which involve risk to the life and limb of the traveller. Such accidents have also declined by 56.6 per cent from 1,939 to 840 during this period. As a result of it, the incidence of consequential accidents per million train kms declined from 6.5 to 1.8.

Statistics published by the Secretariat of the Union Internationale de Chemin-de-fer (International Union of Railways) Paris, of the incidence of collisions and derailments per million kilometres run on 15 railway systems of the world show that

TABLE I

Indian Railways : Some Basic Data

Year	Traffic handled i.e. train k.m run (in millions)	Total No. of accidents	Incidence per million train kms.	Total No. of consequential accidents	Incidence of consequential accidents per million train kms.
1951-52	298.2	16,142	54.1	1,939	6.5
1952-53	304.1	12,783	42.0	1,686	5.5
1955-56	334.3	9,904	29.6	1,552	4.6
1956-57	347.8	9,389	27.0	1,560	4.5
1960-61	388.14	8,808	22.7	2,131	5.5
1961-62	396.15	9,184	23.2	1,953	4.9
1962-63	408.29	9,132	22.4	1,637	4.0
1963-64	421.89	7,428	17.6	1,635	3.9
1964-65	433.17	6,465	14.9	1,293	3.0
1965-66	450.80	6,057	13.4	1,201	2.7
1966-67	451.74	5,889	13.0	1,097	2.4
1967-68	455.32	5,502	12.1	1,111	2.4
1968-69	460.09	5,033	10.9	908	2.0
1969-70	472.99	5,033	10.6	963	2.0
1970-71	466.54	4,918	10.5	840	1.8

Source : Review of Accidents on Indian Railways : issued by the Railway Board, New Delhi, for all tables.

TABLE II

Break-up of Railway Accidents : 1961-62 to 1970-71

Type of Accident	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
1. Collisions	143	131	93	81	74	67	66	47	54	59
2. Derailments	1,513	1,439	1,294	1,029	955	866	882	682	739	641
3. Train wrecking	10	8	6	6	7	10	10	2	12	7
4. Train running into road traffic at level crossings	160	168	161	146	123	104	111	129	111	121
5. Failure of engines and rolling stock	5,104	5,185	4,033	3,362	3,143	2,986	2,803	2,705	2,651	2,945
6. Failure of permanent way	262	277	173	240	205	239	194	154	166	117
7. Trains running over cattle	1,270	1,194	994	936	777	751	673	537	470	392
8. Miscellaneous	722	730	674	665	773	866	763	777	830	636
Total	9,184	9,132	7,428	6,465	6,057	5,889	5,502	5,033	5,033	4,918

India ranks among the first five, so far as the safety record is considered. This can be seen from Table V.

TABLE V

Incidence of Railway Accidents

Railway	Incidence of collisions and derailments per million train km.
1. Italian State Railways	0.41
2. French National Railways	0.96
3. Swedish State Railways	1.68
4. German Federal Railways	1.73
5. Indian Government Railways	1 97
6. Norwegian State Railways	2.06
7. Spanish National Railways	2.24
8. Danish State Railways	2.65
9. Belgian National Railways	2.95
10. Japanese National Railways	3.20
11. Canadian Pacific Railways	3.20
12. Yugoslav Railways	3.41
13. Canadian National Railways	3.87
14. Finnish State Railways	5 34
15. Portuguese Railways	6.27

Since the publication of the above statistics, there have been further improvements. By 1970-71, the incidence of accidents on Indian Railways had gone down still further to 1.56. The average number of persons killed or injured per consequential railway accident is also slowly coming down (Table VI). It was 0.89 in 1966-67 and 0.40 in 1970-71. However, in 1961-62, this average was only 0.37. Excepting 1969-70, in all the four years, the average had been *above* the 1961-62 level. However, it shows an *erratic* trend, which leads one to suspect that a fall in this average in any year may be due to fortuitous reasons rather than an improvement in the railway administration.

So also, the average per accident cost of damage to the railways has been rising rather rapidly. It was Rs 872 in 1961-62 and Rs 4,362 in 1970-71 (Table III). These figures are however gross understatements in that they omit various relevant costs such as those on account of hours of interruptions, diversion of trains by the longer routes till the mess is cleared. The compensation paid to the sufferers is also not included in them. Some accidents such as failure of railway engine do not cause any direct damage to the railways. But inclusions of such accidents brings down the average figure showing the damages per accident.

The severity of an accident is directly related to the weight and the speed of the train. It is argued that the railways at present run much heavier and faster trains than those in 1951-52. The damages sustained by the railways as well as casualties in an accident, therefore, tend to be heavier according to the railway administration. However, this can hardly be a consolation to the railway users. The railways must give up this complacent

TABLE III

Cost of Damage Due to Accidents : 1961-62 to 1970-71

Year	Total No. of accidents	Total cost of damage to the railways (Rs in lakhs)	Average cost of damage per accident (in rupees)
1961-62	9,184	80.1	872
1962-63	9,132	128.0	1,402
1963-64	7,428	83.5	1,124
1964-65	6,465	81.1	1,225
1965-66	6,057	100.2	1,654
1966-67	5,819	108.2	1,888
1967-68	5,502	160.6	2,919
1968-69	5,033	131.3	2,609
1969-70	5,033	134.7	2,676
1970-71	4.918	214.5	4,362

TABLE IV

Collisions and Derailments Caused by the Failure of the Railway Administration 1961-62 to 1970-71

Year	Collisions plus derailments	Collisions and derailments caused by the failure of the Railway Administration	Percentage of 3 to 2
1	2	3	4
1961-62	1,656	1,090	66
1962-63	1,570	1,016	65
1963-64	1,387	953	69
1964-65	1,110	713	64
1965-66	1,029	688	67
1966-67	933	679	73
1968-69	729	517	71
1969-70	793	513	65
1970-71	700	464	66

attitude. It is, of course, conceded that the railways are carrying a heavier load at present. This has imposed a heavier strain on the railway track than was originally provided for when the track was laid. For tackling this problem, the railways should increase the frequency of repairs and replacements, as well as, inspections of the track. The neglect of the track appears to be on the high side in recent days.

Usually one notices an excessive bumping action of the track at the level crossing immediately after the train has passed. This is invariably the case where the sleepers are eaten up. In this connection, the increasing arrears of track renewals make distressing reading. There are arrears of 6,291 km of through track renewals, 2,170 km of rail renewals and 2,165 km of through sleeper renewals. The overaged locomotives in service are about 25 per cent of the total stock in service on the broad-gauge and 20 per cent on the metre-gauge sections. There are hundreds of "problem" and "vulnerable" bridges demanding immediate strengthening and protection. However, the exact position in this respect is not known. Out of 31,600 level crossings, about 19,000 are unmanned.

More than two-thirds of the total accidents at level crossings take place at unmanned level crossings as can be seen from Table VII. No doubt, the railways will have to incur additional expenditure to man these level crossings. But it would be more than compensated by lower total costs of accident damages and by better safety all round. The railways are certainly in need of economy measures to improve their finances. But this is a wrong type of economy which is at the cost of safety.

The most disheartening feature is that between 64 and 73 per cent of the accidents result owing to the failure of the railway staff and hence are avoidable (Table IV). The number of railway servants against whom punitive action was taken for being guilty of dereliction and/or gross neglect of duty was 1,408 and 1,648 in 1965-66 and 1966-67 respectively. These figures speak for themselves.

"Thefts on trains and of other railway material" is another known cause of accidents. Wilful tampering with the railway track is alleged to have increased greatly in recent years, though item No. 3 of Table II does not support this allegation. That item shows accidents occurring owing to sabotages. Anyway, an energetic patrolling of the railway track is necessary to tackle this problem. The Railway Accidents Committee (Chairman: Dr H.N. Kunzru) in its first report submitted in 1962 had suggested two steps : (1) A better co-ordination between the union ministries of Home Affairs and Railways and the state governments; and (2) welding of rails which makes mischievous tempering extremely difficult. The second recommendation though accepted by the government, has not been fully implemented as yet.

The need for fitting speedometers on all trains is being emphasised for about 35 years now. This was first suggested in 1938 by the Bhita Committee. It was re-emphasised by the Railway Inspectorate in 1955 and the Railway Accident Committee, 1960 in 1962. Still, over 40 per cent of the trains have not been fitted with speedometers as yet. These reasons have cumulatively led to more disastrous accidents in recent days than those in the past.

TABLE VI

Casualties Per Consequential Accident

Year	Killed	Injured	Total No. of accidents	No. of consequential accidents	Average No. of casualties per consequential accidents
1966-67	209	762	971	1,097	0.89
1967-68	138	478	616	1,111	0.55
1968-69	62	462	524	908	0.58
1969-70	104	232	336	863	0.35
1970-71	27	309	336	840	0.40

TABLE VII

Accidents At Level Crossings

Year	At manned level crossings	At unmanned level crossings	Total	Percentage of 3 to 4
1	2	3	4	5
1969-70	36	75	111	67.6
1970-71	31	90	121	74.7



FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

THE WORKING of railways and Indian Airlines came in for sharp criticism in Parliament this week. While the discussion on the affairs of the latter was raised in the Rajya Sabha by the Swatantra member, Mr Lokanath Misra, those of the former came to be deliberated upon in the Lok Sabha during a debate on the demands for excess grants for railways relating to Rs 21.11 lakhs expenditure in 1970-71. Among the other important economic subjects which were discussed in the two Houses were the growing power shortage in the country, the alarming unemployment situation and the "rags scandal".

clogged movement

Replying to the debate on the demands for excess grants for railways, the Railway Minister, Mr. T. A. Pai, made out a case for increasing passenger fares, although he did not indicate when he proposed to step them up. He, however, announced that the demurrage charges in respect of goods traffic would go up from Rs 150 to Rs 240 per wagon per day with effect from December 1. He further disclosed that the registration fee for wagons might be raised. Large orders, he pointed out, were often placed for wagon by traders and businessmen and when the required wagons were offered, the orders were quite often cancelled. This clogged the movement of wagons. The situation, therefore, called for remedial measures. In a particular month, the minister revealed, as many as 80,000 registrations for wagons had been cancelled.

The railway finances, Mr Pai said, would be affected this year by the interim relief which will have to be paid to railway workers. There were also demands for an upward revision of the pay scales of railway employees. If the members of Parliament would support him in raising passenger fares, he would have no hesitation in meeting the railway employee's demands, added Mr Pai.

Referring to the shortage of wagons, the Railway Minister, besides indicating the raising of registration fee and enhancement of the demurrage charges, revealed that an order for 40,000 wagons had been placed on manufacturers. These supplies are to be effected in the next three years. The wagon supply position for the movement of general goods, he said, had been affected in the recent past by various factors. These included increase in the movement of foodgrains to the drought-hit areas, even water had to be moved by railways to these areas.

Mr Pai did not think that pilferage on railways was unduly high. He pointed out that it amounted annually to about Rs 14 crores, while the goods moved by railways aggregated to as much as Rs 3,500 crores and the revenue from freight was of the order of Rs 750 crores. He, however, assured the House that all efforts would be made to check pilferage. For this purpose, the railway protection force, he said, was being reorganised.

Mr Pai rejected the demand voiced by some members that the Railway Board should be abolished. When holding companies were being formed for other public sector companies, he said he did not understand why the Railway Board should be abolished. All the members of the board, he stressed, were engineers and technicians. It was not the framework that mattered; what mattered was how it functioned. Delegation of more powers to the general managers of the various railway zones, Mr Pai added, could be considered so that decisions about the functioning of railways in the different zones could be taken on the spot and the Railway Board could become largely a policy-making body.

ticketless travel

Dealing with ticketless travel, Mr Pai revealed that, according to a sample survey, about nine per cent of the ticketless travellers were students, nearly 12 per cent beggars, 23 per cent agriculturists and 30 per cent small traders. The total loss through ticketless travel was estimated around Rs 22 crores annually.

The minister expressed great concern over the railways being made a special target in any agitation in the country. He sought the co-operation of all the political parties for dissuading agitators from destroying railway property, which was national property.

During the debate, the railway administration came in for scathing criticism from both the opposition and treasury benches on many counts—corruption, lack of punctuality in the running of trains, bad catering service, pilferage of railway consignments and property, sense of insecurity among passengers on account of acts of gangsterism in running trains, lack of adequate amenities for third class passengers, etc. Some members also pleaded that railway employees should be entitled to bonus according to the Payment of Bonus Act. The usual pleas for the extension of railway network in some areas were also heard during the debate.

top-heavy management

During the Rajya Sabha discussion on the working of Indian Airlines (IA) Mr Lokanath Misra charged that out of the total investment of Rs 44 crores in this public sector undertaking, the top management had eaten up Rs 18 crores. He alleged that there were too frequent changes in the top management of IA which was characterised by nepotism and favouritism. He expressed himself against the system of part-time chairmen of public sector undertakings. Mr Misra also alleged that although advice was in favour of buying AVRO planes of the 532 series, the corporation had purchased the 531 series. The purchase of land for the Jammu airport at an allegedly unduly high price was also referred to by the Swatantra member.

All these allegations, however, were stoutly refuted by the Minister for Civil Aviation, Dr Karan Singh. The minister revealed that Indian Airlines was likely to break-even or even throw up a small surplus this year. He also stressed that Indian Airlines was a public utility service and profit making was a secondary consideration for it. Out of 95 routes on which it operated, the Indian Airlines, he pointed out, was losing on 75 routes. Should the Airlines not operate on the losing routes, it may make even a profit of Rs 25 crores a year. About the pur-

chase of land for the Jammu airport which, it was stated, belonged to the minister himself, Dr Karan Singh said that the land in question was only 0.22 acres. It was in the name of one of his children. Because of this, he had written to the Prime Minister for her advice on the matter.

A good deal of concern was voiced in the two houses over the present power crisis in the country. The most important point made by the opposition was that greater reliance should henceforward be placed on the generation of thermal power than on the production of hydro-electricity. The present ratio between the two (40 : 60), it was felt, was not the appropriate one, as during years of below normal rainfall, power scarcity would continue to recur, creating complications for the economy. The familiar pleas of the members from Punjab for the curtailment of power supply to the Nangal fertilizer factory and those from Uttar Pradesh for a cut in electricity supply from the Rihand dam to Hindustan Aluminium's Renukoot works were heard. But that was not expected as these two pleas appear to have political overtones.

power for HINDALCO

In his replies to the two discussions, the Minister for Irrigation and Power, Dr K.L. Rao, however, did not agree with any of the above three suggestions. He considered the 40 : 60 ratio of thermal and hydel power generation to be the most economical for the country. In regard to the demand for cut in the supply of power to Hindalco, the minister pointed out that the manufacture of aluminium was as essential for the country's economy as stepping up of production in the agricultural sector. The power supply in Uttar Pradesh, he pointed out, would be augmented considerably with the commissioning of the first 100 MW unit of the Obra thermal station expansion scheme in January. Supplies of power for UP, he added, were also being arranged from Bihar and Madhya Pradesh. The peakload problem of this state was being tackled by imposing reasonable restrictions on consumption. Already power cuts had been imposed on urban consumers in Uttar Pradesh, except continuous process industries, hospitals, defence installations and essential services. These cuts would be restored after November 30, but thereafter industrial consumers would be required to make do with a six-hour cut in power supply daily.

Referring to the demand from Punjab that power supply to the Nangal fertilizer factory should be reduced further and ultimately the unit should switch over to naphtha or furnace oil as feedstock, Dr Rao observed that not only the manufacture of fertilizers was very important at the present juncture, when a crash programme for stepping up agricultural production was being pushed through, the Nangal fertilizer factory was also producing heavy water which was used for the generation of nuclear energy. Any further expansion of the Nangal factory, Dr Rao assured the House, would, of course, be based on naphtha or fuel oil.

Dwelling upon the long-term power requirements of the country, the Minister for Irrigation and Power emphasised that the fifth five-year Plan would have to provide for four or five 500 MW power stations and the sixth Plan might well see the setting up 2,000/3,000 MW capacity units. He hoped that the present 17,500 MW capacity in the country would be raised to 41,000 MW by 1979 and the vexed problem of getting the states to agree to a central power generation and distribution system would be settled in the near future. The minister deplored the delays in the execution of power projects. The supply from the Bhakra system, he observed, would have been much better if only the works diverting the Beas waters to Gobindsagar had been completed in time.

Replying to a half-hour discussion in the Lok Sabha on the sugar policy of the government, the Minister of State for Agriculture, Mr Sher Singh, informed the House that the report of the Bhargava Commission on the nationalisation of sugar industry would be available by February-end. The central government would take a decision in the matter after considering this report. Mr Sher Singh, however, reiterated that the states were competent to take action in respect of nationalisation of sugar industry in their areas. He cited the advice of the Attorney-General and the Solicitor-General in this regard.

special levy

Mr Sher Singh also revealed that the government was considering steps, including the possibility of levying a special tax to mop up any extra profits resulting to factories from the policy of partial decontrol of sugar, if the manufacturers did not share them with the cane-growers through payment of higher cane prices than the minimum prices stipulated by the government. Suitable alternative machinery, he said, was being contemplated to find out the real recovery of sugar from cane in various parts of the country. About the non-utilisation of the full capacity sanctioned for the manufacture of sugar, which was one of the main targets of attack by the opposition during the short debate, the minister pointed out that all new licences had been issued to the co-operative sector which had its own problems. Corrective measures were being taken.

The Minister for Foreign Trade, Mr L. N. Mishra, assured the Rajya Sabha this week that efforts were being made to release the seized stocks of used woollen garments imported in the garb of rags "as soon as possible" so that hosiery manufacturers did not suffer for long. He promised that the guilty importers would not be granted new licences. He agreed to a suggestion from an opposition member that the State Trading Corporation should handle the auction of the used imported woollen garments so that there was no profiteering in their sale by private traders.

A non-official resolution urging the central government to work out in co-operation with state governments a time-bound, phased programme to solve the massive unemployment problem in the country, received wide support in the Lok Sabha. Members from all parties who participated in this debate warned the government that the country would face serious trouble if positive and concrete steps were not taken immediately to tackle the problem. Several opposition members squarely blamed the ruling party for the widespread unemployment in the country.

farm wages

Winding up the Lok Sabha debate on the 1969-70 report of the Commissioner for Scheduled Castes and Scheduled Tribes (briefly reported in this column last week), the Minister for Education and Social Welfare, Mr Nurul Hasan, disclosed that the government would fix the minimum wages for agricultural workers during the fifth Plan. It would also take steps to stop alienation of Harijans and tribals from their lands by upper castes and non-tribals. The number of post-matriculation scholarships for the Harijan and tribal students was proposed to be increased. Intervening in this debate, the Prime Minister promised that the government would do everything to improve the lot of Harijans and tribals.

The Food Corporation (Amendment) Bill was adopted by the Lok Sabha this week. During the debate on the bill, the working of the corporation came in for sharp criticism from both the Congress and the opposition members. Several members referred to the enquiry into the charges against the chairman of the corporation, Mr Iqbal Singh. The Minister of State for Agriculture, Mr A.P. Shinde, stated in this regard that the government was waiting for the report of the Central Bureau of Investigation which was inquir-

ing into the affairs of the corporation. The House would be taken into confidence when the government considered the report of CBI and came to some conclusions. Mr Shinde also revealed that the government would not import foodgrains from the United States under the PL 480 concessional programme. "We are likely to make some marginal imports from abroad, but these will be purely on commercial basis", he said. Mr Shinde, however, did not disclose how much wheat or other foodgrains were intended to be imported by the government.

The following important information was provided by the various ministers during the question hour in the two Houses.

(1) The imports of foodgrains which are being contemplated at present will be on normal commercial terms. The earlier estimate of a short-fall of 15 million tonnes in kharif production has now come down to between five and seven million tonnes.

(2) The government has decided to import 20,000 tractors. Import of tractors as gifts to Indians from their relations abroad has also been allowed. Permission has been given for the import of spare parts for tractors to some extent.

(3) We had a trade surplus of Rs 21.7 crores during the January-August this year, with imports amounting to Rs 1147.6 crores and exports aggregating to Rs 1169.3 crores. The trade dificit in 1971 was Rs 277.4 crores. The foreign exchange reserves of the country (including SDRs) on October 31, 1972, aggregated to Rs 778.5 crores. The reserves showed a decline between January and August to the tune of Rs 75.6 crores. The decline in reserves was mainly on account of larger debt servicing payments and delay in the effectiveness of the third replenishment of the IDA.

(4) The government has decided to canalise the exports of shoes and semi-tanned skins through the STC.

(5) The government has permitted the import of 40,000 tonnes of alcohol to augment the supplies from indigenous sources.

(6) The government's industrial policy will be governed by the need for promoting industrial growth consistent with socio-economic objectives, including the prevention of concentration of economic power. The government's policy in regard to the joint sector was derived from the Industrial Policy resolution of 1956. Participation of the states with private enterprise, whenever required in the national interest, would be subject to an effective voice for the government in the policy and operation of such undertakings.

(7) The government has decided to set up three units for the manufacture of paper and pulp under Hindustan Paper Corporation, a public sector concern. One of these units will be set up in Nagaland and other two in Assam at Nowgong and in Cachar. The Nagaland paper and pulp project will have a capacity of 30,000 tonnes per annum. The Nowgong unit will produce 80,000 tonnes of pulp and 50,000 tonnes of paper a year. The Cachar venture will have an initial capacity of 50,000 tonnes of pulp per annum, which may be raised later on to 80,000 tonnes. A crash programme for increasing the capacity of the existing paper units has been sanctioned. The programme would generate an additional capacity of 1.23 lakhs tonnes of paper a year. Several other proposals envisaging setting up of new units and expansions of the existing units for an additional capacity of 8.58 lakhs tonnes have also been approved.

(8) Eleven state governments have constituted planning boards in response to a directive issued by the Planning Commission. The Planning Commission has received good response from state governments in its efforts to involve the common man in the process of planning.

(9) Out of about Rs 51 crores allocated by the central ministries for providing employment to the educated unemployed, including engineers, during 1971-72 and 1972-73, nearly Rs 47.95 crores have already been allocated for these schemes.

(10) It is proposed to import this year about a million tonnes of steel. The value of iron and steel imports in 1971-72 increased to Rs 245 crores from Rs 149 crores in 1970-71. In 1969-70, steel imports aggregated to Rs 83 crores. The country imported 13.82 lakh tonnes of steel in 1971-72, a little over seven lakh tonnes in 1970-71 and 4.23 lakhs in 1969-70.

(11) All the states had cleared their overdrafts with the Reserve Bank of India as on November 1, 1972.

(12) The union government has not found it feasible to have a common management cadre for all central government undertakings, since such a cadre, it is felt, would abridge the operational autonomy of industrial enterprises. There is, therefore, no proposal under the consideration of the government to make further recruitments to the industrial management pool cadre. The personnel of this cadre were recruited in 1959-60.

(13) The gross profit earned by foreign companies in India in 1970-71 amounted to Rs 52 crores, as against Rs 39.9 crores in 1969-70 and Rs 33.2 crores in 1968-69. The total assets of these companies for the three years from 1968-69 were Rs 1234.2 crores, Rs 1411.5 crores and Rs 1468.6 crores, respectively.

(14) There is no proposal before the government to ban strikes and lockouts. It is hoped that the impending legislation on industrial relations will make them redundant.

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(December 7)

FOR THE WELFARE OF EX-SERVICEMEN AND THEIR FAMILIES

GDR: a reliable trade partner

H. Sachse

WINDOW ON THE WORLD

UN STATISTICS show that the GDR has been one of the countries having the most consistent economic growth during the past two decades. Today the GDR is a highly-developed, modern, industrialised country with a mechanized, intensive agriculture.

With her population of about 17 millions the GDR holds the 31st place in the world. According to the size of her territory, she ranks 92nd. Measured by her industrial production, she is one of the ten leading industrial countries in the world.

Due to her accomplishments in the fields of economy, science and culture as well as due to her efforts in shaping stable and friendly relations with other peoples, the GDR has gained international respect and recognition.

In developing her external economic relations, the GDR has achieved considerable success. The foreign trade turn-over rose from 2,700 million marks in 1949 to 39,000 million marks in 1970. According to the profile of her industrial production. the traditional export goods of the GDR are engineering goods, industrial equipment and plants, chemicals and electro-technical products. In these fields the GDR has achieved a leading position among the highly-developed industrial countries in the world.

By means of agreements on co-operation and specialization concluded between the GDR and the USSR as well as beweeu the GDR and other socialist countries — member states of the Council of Mutual Economic Assistance — within the framework of the programme of socialist economic integration the wide range of products manufactured by each of these countries has been reduced and thus there has been achieved a more effective structure of industrial production.

This exerted a positive influence on the further development of foreign trade turnover. While gross industrial production of the GDR rose by 72 per cent from 1960 to 1969, its exports increased by 88 per cent.

Reflecting the close economic co-operation between the GDR and the other member states of the CMEA the share of these countries in the foreign trade turnover of the GDR amounts to about 70 per cent. The co-operation within the CMEA has made it possible for the GDR to raise her productive potential in the key branches of her national economy and to considerably increase her total exports and systematically step up her imports.

Due to this fact, the turnover volume in trade with the developing countries rose from 790 million marks in 1960 to 1440 million marks in 1969 *i.e.* by 82 per cent. Highly appreciating and supporting their struggle for economic and political independence, the GDR has always based her relations with these countries firmly on the principles of equality and mutual benefit.

The development of the economic relations between the GDR and India reflects in an impressive way the general development which has taken place in the relations between the GDR and the developing countries.

From a poor turnover in foreign trade with India of about two crores of rupees in the early fifties from year to year, the total turnover of exports and imports in both directions has increased considerably. It shows the effectiveness and the advantage for both sides that the turnover in foreign trade in 1971 amounted already to about Rs 60 crores. The most advantageous step in strengthening the economic relations was made in 1957 by changing the pattern of trade to the system of so-called rupee-payment. There is a double advantage for Indian business engaged in foreign trade with the GDR or with other socialist rupee-trade-countries in this system:

—the problem of availability of foreign exchange does not arise, as all imports can be paid for in rupees.

—all export earnings of these countries in rupees are to be spent in India for the purchase of Indian export goods and services.

For our country the rupee-payment system guarantees that we can pay all our imports of Indian goods completely by the export of products manufactured in the GDR.

increased co-operation

The rupee-payment mechanism is not only efficient in the field of foreign trade, it refers to all fields of economic and scientific-technical co-operation between our two countries. The best proof of its efficiency is the number of collaboration agreements with India; the GDR has 60 approved collaborations placing it 8th in the list of the collaborating countries.

In the last few years, the economic co-operation between the two countries increased to cover not only foreign trade and technical co-operation but also technical-scientific activities. This was started by the signing of the Agreement on Scientific and Technical Cooperation in February 1971 and was continued by signing several protocols for its implementation covering different fields such as applied research an technology and veterinary medicine.

With the establishment of diplomatic relations on October 8, 1972, between the GDR and India, there were created conditions for further developing the stable and good relations in all fields and especially in the economic field. As an important step in this direction, we consi-

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der the protocol signed on November 2, 1972, in the framework of the long-term trade and payment agreement concluded in November 1971 between our governments. In this protocol, both sides have endeavoured to meet as far as possible the mutual requirements. Thus it has been agreed from our side to increase the supply of potash, urgently required by Indian agriculture and to continue the traditional supply of X-ray films, scientific and technical equipment, and printing and agricultural mechinery.

In this protocol there has also been fixed a considerably increased volume of Indian exports of engineering and consumer goods, the so-called non-traditional items, to GDR in the years to come.

I would like to stress, that in the last few years, culminating in the establishment of diplomatic relations between our countries in October 1972, there were created all necessary political and practical preconditions in the form of a number of agreements as well as of close business relations between foreign trade enterprises, different scientific-technological institutions in the GDR etc. and the corresponding partners in the public as well as in the private sector in India for continuously expanding our co-operation. It is now a question of taking further practical steps to implement these agreements.

The death of EFTA?

E. B. Brook
Vienna.

THE CHANGES that will take place in west Europe within little more than a month's time will be more in the nature of the beginning of a new, hard period of bargaining than the culmination of a long effort to bring Schumann's post-war dream of a united Europe into effect. This concept, born in the mind of an Alsatian Frenchman very largely as the result of the series of misery that have plagued Europe for centuries and sharpened since the imperial concepts of Napoleon, Bismark, of the Central and Allied Powers of 1914-18 and, later, of Hitler's Germany, was that of the non-Slav western half of the continent united in economics and, except for national domestic affairs, in politics. Like most dreams, it ran into snags very quickly.

The creation at the Stockholm conference in 1958, very largely at Britain's initiative, of the alternative European Free Trade Association (EFTA) was the first serious setback; de Gaulle's insistence of the "Europe of Nationalities" and the long-drawn refusal to allow Britain to transfer its membership from EFTA to the Common Maket was the second. Now that the Market's Six are to become the Nine, the Schuman dream might seem to be coming nearer to realisation except for several contradictory factors.

The only significant addition to the Market is that of Britain, but it is occurring at a time when Britain is in acute and internally angry economic difficulties, when its money stands internationally at the lowest value it has ever experienced and when class and economic conflict within Britain itself is sharper and more bitter than almost any differences known on the continent, apart from the great cleft of communist and non-communist. The other two, Denmark and the Irish Republic, are both economically very weak and only Denmark is a loss to EFTA since Ireland has so far not been a member of either European economic group. Britain's farewell to EFTA at that organisation's ministrial meeting in Vienna this week was characteristically graceless and Market may well consider whether it is not taking to itself an aggressive but sickly partner. EFTA continues with all of Scandinavia except Denmark (which always regards itself as more continental than Scandinavian), with Austria and Switzerland, Portugal and Iceland and is open to further membership. The enlargement of the Market is not the death of EFTA.

What is of more long-term significance is the fact that, as January 1 approaches, all nine Market countries are making it clear they do not intend to allow Brussels to interfere with or influence overmuch their domestic politics, although the effects of Market taxation and tariffs will be far-reaching and, so far, are not precisely predictable. The weak link in the Market chain of control is the European Parliament in Strasbourg which, although it is sited in France, was consistently ignored by de Gaulle, is not highly regarded by Pompidou who will certainly not yield one jot of Paris authority to the Alsatian capital just as London, from different points of view according to the party concerned, is jealously anxious about both Strasbourg and Brussels. The European socialists are dismayed at the British Labour Party's reluctance to send MPs to Strasbourg and the Brussels Market Commission is preparing to do battle with new British colleagues; in any case the European Parliament, as much a part of the original Schumann Plan as the Common Market, will acquire control over no more than four per cent of the Common Market budget which means that the Market will continue to be bureaucratically controlled, the only question now being by which bureaucrats?

Most significant of all is the fact that the two other large power-groups, the USA and Japan on the one hand and the communist economic group of east Europe on the other, recognize this fact. East Europe, since it has grown persuaded during the past year that west Europe is becoming a united economic power, has tacitly dropped its hostility and, indirectly through the Polish Foreign Minister, who travels westwards far more than most of his colleagues, has indicated it is prepared even to be friendly but only after the slowly approaching international conference on European security has proved successful—that is, has approximately fulfilled east Europe' wishes. The most likely circumstance in which the rest of east Europe would officially recognize and directly deal with the Market would be when the Market recognizes Comecon just as NATO officially recognizes the Warsow Pact organization.

This development is made the more probable now that the USA and the Soviet Union have begun trading officially and may fairly soon be trading in a significant degree. Washington and Poland have also just signed an agreement intended to triple existing trade levels in two years.

It is the United States' attitude that will be the determining factor and which will lead to the bargaining which may well last for four or five years. The opening up of the USA to the Soviet Union and to China in trade and politics will make a considerable difference to the percentages of world trade handled by the respective blocs. One reason for the United States' relaxation of its frozen attitude to the communist countries is its determinaiion to add to its own 16 per cent share of the world trade and to reduce the 40 per cent share at prssent enjoyed by the west European Common Market.

The fields of argument and bargaining that lay ahead w ll be influenced by the fact that, through NATO, west Europe still needs US protection on its own soil against the USA's new trading partner whose military arm is the Warsaw Pact. There will be intense pressure for zero tariff or for reduction of Market tariffs on imports of US agricultural products,

an area made the more sensitive by the fact that the Market is just taking to itself two predominantly agricultural countries in Denmark and Ireland. The USA will hold over Europe the threat further to reduce the value of its dollar if Europe does not help it to reduce its very unfavourable balance of trade. In Washington's opinion, the dollar must remain a pillar of American world power.

West Eorope will reply with demands for relaxations of American protectionism, of its restrictive practices over the American selling price for manufactured chemicals which it maintains despite agreement to abolish it reached during the Kennedy Round. But one of the principal effects of the Common Market's enlargement will be that it is bigger and easier to hit, not least by the continuing influence of masses of expatriate US dollars in the west European and central European markets and financing much west European industry. At a time when the whole of west Europe is plagued by inflation, which the Market's Commission and Council of Ministers have done nothing to assuage, this money power is of menacing proportions that makes mere market enlargement appear puny.

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LINTAS:STB

With friends like some

of the friends the prime minister has got, she hardly needs enemies. Mrs Gandhi, evidently, did try her best to keep her birthday this year a private, personal and family affair. *The Times of India* noted on November 23 as follows:

"Correctly anticipating that the more thick-skinned among the professional sycophants might turn up at her house on the day before her birthday, the prime minister decided to leave for Bhatkal (Bhatkal lake near Faridabad in Haryana, not far from New Delhi) on Saturday. They vainly sought permission to present their bouquets on Friday!".

Mrs Gandhi's valiant effort at temporary self-abnegation, I am sorry to say, did not meet with the complete success it so richly deserved. I quote a PTI report datelined November 21 (Mrs Gandhi's birthday was on November 19):

"Amidst cheers in the Lok Sabha on Tuesday, the Speaker wished the prime minister a happy birthday.

"Mrs Gandhi had spent her birthday outside Delhi on Sunday, when the House was not in session.

" 'The prime minister suddenly disappeared and we have the opportunity only today to congratulate her', the Speaker remarked."

Not even Mrs Gandhi, one might say, can successfully rebel against fate. Although she did manage to avoid the bouquets on Friday, she could not save herself from being cornered in, of all places, the Lok Sabha a few days later and this, too, by no less a person than the Speaker himself.

Shades of Potti Sri

Ramulu, the patron-saint of visala Andhra! Once again it has been proved that the Andhra people are in a position to deal a body-blow to the central government whenever the mood (or the madness) seizes them. The nation's rail communications between its southern part and the rest of it are now established to be New Delhi's most vulnerable spot in dealing with political agitations in the Andhra region. One may wonder, however, whether the latest episode of violent assaults against railway property or operations was really needed to alert the central government to this uncomfortable truth. It is, in fact, proper to raise the much larger question whether the central cabinet should have been waiting on events to the extent it has been doing. Weeks of inertia or indifference and, therefore, inaction have tragically led to the agitation over the mulki rules climaxing into as near a people's revolt as could be conceived within the framework of a democratic political system. Even if the prime minister were to succeed ultimately — and without much further loss of life or public property—in reconciling the sharp conflict of regional interests in Andhra Pradesh and bringing about a settlement of the controversy over the mulki rules, her prestige and the prestige of the central government have both suffered irreparable damage. As for the Andhra government and the chief minister of the state, the gravest doubt must persist about the fitness of Mr Narasimha Rao and his senior colleagues to continue to hold any position of responsibility in government or public life. Politicians so bereft of the right political instincts constitute a grave hazard to the very lives, let alone the welfare, of the citizens.

From *The Hindustan*

Times of November 23 :

" 'India's economy may be in a bad shape but it is not hopelessly out of line,' says Prof Sir John Hicks, who shared this year's Nobel Prize for Economics with Prof K. Arrow of Harvard University.

"Many Latin American countries were worse off than India, he said. In Argentina, for example, the cost of living had increased more than five times since 1963. In India it had risen by nearly one and a half times during the same period.

"Prof. Hicks thought the devaluation of the rupee was one of the factors contributing to inflation. 'But then I am not in love with devaluation anywhere,' he said".

Sir John Hicks could have added, of course, that, in Chile, inflation has been reportedly soaring this year by over one hundred per cent. But, even without mentioning this, he has no doubt provided a more or less complete answer (?) to those who have been asking why India's economic progress should have been so modest, not only in comparison with the Japanese economic miracle, but also in terms of the advance made by, say, Singapore or Hongkong in south-east Asia or Iran in west Asia. All that remains is for us to wonder whether the good professor's certificate will be carefully filed away in the prime minister's secretariat for use when Mrs Gandhi's economic speech writer next casts about for a useful quote.

One should hesitate to join issue with a Nobel Prize winner on a question which is very much his subject, but is Sir John justified in attributing any significant measure of blame for our current inflationary problems to the devaluation of the rupee in 1966? Is *post hoc ergo propter hoc* ever all that convincing? Especially as so many gross blunders have been made since 1966 by the government in its management of the economy.

Since I have been rash enough to start arguing with Sir John, I may as well get on with it. As reported in "An Economist's Notebook" in *The Statesman* of November 24, the professor is of the view that goods have got to be provided so that "you can have employment," for "unless you have the goods to give the people something to spend their wages on", you cannot have employment. I agree that goods will have to be provided if there is to be more employment, but not, surely for the reason primarily that people must have something *to spend their wages on*. Rather, in the context of employment, what seems to me to be of importance is that goods must be provided for the people *to work with or work on*. Without more capital goods and more raw materials, there just is not any chance of more people being set to work or the same number of people doing more work. It follows that I also differ from Sir John when he suggests that "it is quite possible India has devoted too much attention to what might be called heavy growth." He is now here on a short stay and I do wish that he would come back after he has duly received his piece of the Nobel Prize in Stockholm and spend some time studying what really are the facts. Is the Indian economy dragging its feet because too much attention has been paid to basic or capital goods industries or because, for the last five years or longer, not enough resources or effort had been put into the production of more of energy, steel, cement, fertilizers, transport equipment and the like?

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TRADE WINDS

Assistance From Canada

AN AGREEMENT for a new Canadian development loan of $1.9 million (Rs 1.33 crores) was signed on November 23, 1972. This loan will provide for the purchase of fertiliser bulk handling equipment for the port of Haldia. An earlier loan of $1.7 million for similar equipment for the port of Kandla was given in August last year. In addition to these two loans for a total sum of $3.6 million, Canada has expressed its willingness to consider similar assistance for Bombay, Madras and other Indian ports. The bulk handling equipment for fertilisers results in savings on account of elimination of bagging and a quicker turnaround of ships. The loan granted is on the soft terms which have applied to all Canadian loans to India during the last six years. They are repayable in 50 years, including a ten-year grace period, and there are no interest, service or commitment charges. In addition to the development loan for the Haldia port, the Canadian International Development Agency has engaged the services of Howe International Ltd as consultants for the Calcutta Port Commissioner in the layout, design, procurement, and installation of the various equipments to be purchased in Canada. These services are covered by grant in aid and therefore involve no cost to India.

Another agreement signed recently provides for a Canadian grant of $300,000 (Rs 21 lakhs) for a feasibility study of the Hindustan Copper Limited's Rakha project in Bihar. The grant will be used to engage the services of a Canadian firm of Consulting Engineers (Watts, Griffis & McQuat) to recommend development of the mine and production operations at the Rakha project. This will further promote India's drive for self-sufficiency in non-ferrous metals.

Nangal Expansion Project

The union government is entering final negotiations with the World Bank for a $55 million credit for expansion of the existing Nangal Fertilizer Unit. The World Bank has agreed in principle to negotiate this credit after a complete appraisal of the Nangal Expansion Project of the Fertilzer Corporation of India. A team of officials of the Ministry of Petroleum & Chemicals, the Ministry of Finance and the Fertilizer Corporation of India is due to leave for Washington in the first week of December to hold discussions with the World Bank and finalise financing of the project with IDA funds. The team is also expected to conclude a project agreement between the World Bank and the Fertilizer Corporation of India. The team's visit is a sequel to a series of discussions with the World Bank on various aspects of the project, which now envisages use of heavy petroleum fractions as feedstock for production of 900 tonnes of ammonia per day. Out of this 300 tonnes of ammonia would be diverted to the existing plant to replace ammonia now being produced by electrolysis of water. The project also envisages production of 1000 tonnes per day of urea.

Since ammonia production will no more be based on electrolytic hydrogen, the power requirements of the expanded Nangal unit would come down to about36 MWinstead of 169 MW required for the existing unit alone.

The Fertilizer Corporation of India and the World Bank have already agreed on the mode of implementation of the expansion project. The FCI will have the overall responsibility for the project and will also design and engineer the urea plant based on the Montedison process. Offside facilities also would be designed and engineered wholly by the FCI. The total capital cost of the Project is expected to be about Rs 76 crores, of which a little over Rs 39 crores would be in foreign exchange. The foreign exchange requirements are expected to be covered by IDA credit.

Korba and Amarkantak Thermal Stations

The Planning Commission has approved the schemes for the extension of Korba and Amarkantak thermal power stations in Madhya Pradesh for implemention during the fourth five-year Plan. The thermal stations at Korba and Amarkantak are already tied to Madhya Pradesh Grid. The Korba extension scheme involves installation of one thermal generation set of 120 MW capacity together with the steam generator, accessories and other appurtenant facilities at Korba thermal power station. The scheme, estimated to cost Rs 18.36 crores, will be commissioned in 1976-77. The extension scheme will be based on supply of coal from Manikpur quarry and Kusmunda blocks of Korba coal fields. The project will draw cooling water supplies from the lake formed by the existing barrage on the Hasdeo river.

Amarkantak extension scheme, estimated to cost Rs 18.61 crores, involves installation of one thermal generation set of 120 MW capacity together with the steam generator, accessories and other appurtenent facilities at Amarkantak thermal power station. The scheme will be commissioned in 1976-77. Coal supplies for the extension scheme will be from neighbouring Rewa coal fields. The project will draw cooling water supplies from the existing lake created by the dam on Suthna river.

Payment for Nationalised Coal Mines

The union government has appointed Mr Justice Krishna Ballabh Narayan Singh as Commissioner of Payments under the Coking Coal Mines (Nationalisation) Act, 1972 for the purpose of disbursing the amounts payable to the owners of the coking coal mines and coke oven plants, which have been taken over by government. Initially, he will function from Patna and later on will move to Dhanbad. His address in Patna is C/o Patna High Court, Patna. The date by which parties, who have claims against the former owners, should file applications before the Payments Commissioner will be notified later.

General Insurance Corporation

The General Insurance Corporation of India has been registered as a government company with headquarters at Industrial Assurance Building, Churchgate, Bombay. The corporation will superintend, control and carry on general insurance business. A small board of three persons has been constituted; and this will soon be expanded. The General Insurance Nationalisation Act 1972 came into force on September 20 last. Section 9 of this Act provides for the setting up of the General Insurance Corporation of India.

Valuation of Assets

The Central Board of Direct Taxes invited applications for registration of valuers for different classes of assets. Fresh registration has become necessary because of the amendment of the Wealth-tax Act, 1957, by the Taxation Laws (Amendment) Act, 1972. Valuers appointed earlier under the Estate Duty Act, 1953, have ceased to be competent with effect from November 15 to compile valuation reports for the purposes of

proceedings under the Income-tax Act, Wealth-tax Act and Gift-tax Act. However, valuers registered now under the Wealth-tax Act will also be competent for the purposes of the Gift-Tax Act, 1958, and the Income-tax Act, 1961.

MMTC to Buy Palladium

A contract worth about Rs 17 lakhs was signed at the USSR Pavilion recently to buy Palladium. Palladium is a high priced metal and the Soviet Union is the sole supplier of this strategic raw material to India. The contract was signed by Col. A. P. Sharma, General Manager on behalf of the MMTC and Mr L.N. Shalimov and J.H. Kasaymov on behalf of the USSR. MMTC is likely to treble its imports of Palladium during the next year.

Central Loans for Rs 100 Crores

The union government has announced the issue of the following two loans aggregating Rs 100 crores : (i) 5 per cent Loan 1984 to be issued at Rs 99.50 per cent and repayable at par on June 1, 1984; (ii) 5¼ per cent Loan 1988 to be issued at Rs 99.50 per cent and repayable at par on June 1, 1988. Subscriptions to the above loans will be received from December 1 to 4, 1972 (both days inclusive) but the subscription lists may be closed earlier without notice as soon as the total subscription amounts to Rs 100 crores. Government reserves the right to retain subscriptions upto ten per cent in excess of the notified amount. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the subscriptions received and the balance refunded in cash as soon as possible.

Interest will be paid half yearly on June 1 and December 1. Interest on the loans now issued together with interest on other previous government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from Wealth Tax Act up to Rs 1,50,000.

India-Japan Trade Talks

Indian and Japanese businessmen will meet in New Delhi on December 7 and 8 to study the possibilities of expansion of trade between their countries and of increased Japanese investment in India. The Japanese delegation to the two day meeting of the business co-operation committee will be led by Dr Nagano and the Indian delegation by Mr Madanmohan Mangaldas, president of the FICCI. The 50 member Indian delagation will include representatives of leading public sector undertakings in trading and shipping fields. The agenda for the business co-operation committee includes a general review of economic situation in India and Japan, investments in joint ventures for shipping, agriculture and fisheries mining and infrastructure development.

Planning Boards of States

Eleven state governments have constituted planning boards in response to a directive issued by the Planning Commission in formulating the fifth Plan with the involvement of the common man up to the district level. The Planning Commission had received good response from state governments in its effort to involve the common man in the process of planning.

Road Development Fund

A study group on the improvement of highways has recommended the government to create a special fund for the promotion of wayside amenities. The fund to be called "the Roadside Development Fund" should be created on the lines of the Central Road Fund and it should be administered by the central government, recommended the group. The eight member group, which was appointed by the government under the chairmanship of the Director General (Road Development) in the Ministry of Shipping and Transport, has also suggested that the establishment of restaurants, motels and eating places should largely be left to the private sector "though state governments or the road authorities should provide land for this purpose where available." Details of the recommendations made by the group were given to the Rajya Sabha recently by the Minister of State for Shipping and Transport, Mr Om Mehta. The minister told the House that the state governments and the concerned ministries of the union government were being consulted in the matter.

New business of LIC

New business, including group insurance, transacted by the Life Insurance Corporation during 1971-72 amounted to Rs 1639.89 crores with an yearly renewal premium of Rs 71.38 crores, according to the annual report of the corporation. The amount represents an increase of Rs 336.81 crores over the sum assured in the previous year. The total number of policies issued were 1.90 million as against 1.62 million in 1970-71. Nearly 600,000 policies assuring Rs 375.9 crores, 23.1 per cent of the total new sums assured in the country, were issued in the rural areas.

Railway Revenue

Passenger traffic on the Indian Railways has shown an increase during September, 1972, in comparison with the corresponding month of the last year, the approximate number of passengers booked being 6.57 per cent more. The total number booked from April 1 to September 30, 1972 was 8.03 per cent more than during the corresponding period of last year and 5.03 per cent more than the budget target.

The revenue-earning freight

Government of India

5 PER CENT LOAN 1984 TO BE ISSUED AT Rs. 99.50 PER CENT AND REPAYABLE AT PAR ON IST OF JUNE 1984.

5-1/4 PER CENT LOAN 1988 TO BE ISSUED AT Rs. 99.50 PER CENT AND REPAYABLE AT PAR ON IST OF JUNE 1988.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 100 crores. Subscriptions may be in the form of cash/cheque. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the subscriptions received and the balance refunded in cash as soon as possible.

3. Interest will be paid half yearly on the 1st June and 1st December. Interest on the loans now issued together with interest on other previous Government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs. 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in Government Securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

4. Subscription lists will open on the 1st of December 1972 and close on 4th of December 1972 or earlier without notice.

Applieations for the loans will be received at :

a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay [Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna;

b) branches of the subsidiary bank of the State Bank of India conducting Government treasury work except at Hyderabad; and

c) branches of the State Bank of India at other places in India.

5). For full particulars please apply to any of these offices or branches.

traffic of the Railways in September, 1972 was 14.0 million tonnes, which indicates an increase of about 1.44 million tonnes approximately compared to September, last year. The total revenue-earning tonnage lifted by the Railways from April 1, 1972 upto the September 30, 1972 was 83.5 million tonnes representing an in rease of 2.15 million tonnes as compared to previous year but a short-fall of 2.64 million tonnes against the proportionate budget target. The increase as compared to last year has been in respect of coal for public users, raw materials for steel plants, pig iron and finished steel from steel plants, iron ore for export and "other" goods. Table below gives the relevant figures.

Consultancy Services

In his inaugural address to the seminar on Consultancy Services in India, organised by the Industrial Credit and Investment Corporation of India, Mr Y.B. Chavan the union minister for finance called for increased effort in the area of research and development and reliance on indigenous technology and consultancy services. Mr Chavan pointed out that due to the shortage of foreign exchange, imported technology often proved very costly. He said that professional consultancy service could be of great assistance in reducing the handicaps faced by young and new entrepreneurs. The minister expressed satisfaction that a number of independent consultants had proved their worth internationally.

In his welcome address, Mr H.T. Parekh, Chairman of ICICI, expressed satisfaction with the substantial growth in consulancy services since Independence. In this process the public sector had also given a lead by establishing several firms of high quality. He revealed certain imbalances that exist in the development of these services, particularly in the need for developing technical consultancy. Mr C.D. Khanna, Chairman of Industrial Finance Corporation outlined the role of financial institutions in evaluation of projects and the contribution that could bemade by consultants for the purpose. The latter could play an important role in the information gap that existed in the submission of proposals to the institutions. Mr K.B. Rao, Director General of DGTD, drew the attention to the fact that during the fifth Plan there was likely to be considerable scope for indigenous consultancy services in the area of power supply, fertilizers steel and engineering industry. Mr. J. Chanmugam of the World Bank noted the growth of consultancy services in this country but felt that there was scope for their improved performances.

ONGC Wells

The Oil & Natural Gas Commission had drilled 982 wells in the country by the end of September, 1972. Out of these completed wells, 597 indicated the presence of hydrocarbons, 266 turned out to be dry, 26 were water injection wells and the remaining 93 had yet to be tested fully. The total number of structures on which these wells had been drilled was 110, of these, 71 were in Gujarat and 12 in Assam. Six structures had been drilled in Tamil Nadu followed by five each in Rajasthan and Himachal Pradesh and Punjab. Structures in UP, Pondicherry, Bihar, West Bengal, Jammu and Kashmir and Tripura had also been tested.

Employment Programmes of Assam

Five additional schemes costing Rs 18.96 lakhs have been approved by the Planning Commission for inclusion in the Special Employment Programmes of Assam during the current year. These are in addition to the eleven schemes, involving a total outlay of Rs 50.78 lakhs, approved earlier. An important new scheme pertains to investigation of Nonoi, Borolia, Kapili and Dhansiri South projects in the Flood Control and Irrigation Wing of state government

Names in the News

Paul H. Leman President of Alcan Aluminium Limited, the world's largest international aluminium company, is on a brief visit to this country. A French Canadian by birth, Mr Leman has been a director of Alcan Aluminium Limited since 1968 being named executive vice-president, smelting, in the same year. Early in 1972, he was elected President of Alcan Aluminium Limited, the principal shareholder of Indian Aluminum Company Limited. Mr Leman is a director of Canada's Export Development Corporation, which agency has administered Canadian aid to several major development projects in India, both in the private and public sectors. From 1962 to 1964, Mr Leman was a full-time member of the Canadian Royal Commission on Banking and Finance.

Total for all classes ('000)

	Cumulative from April 1, to September 30, 1971	
	Number	Percentage increase over last year
Suburban	682,652	+13.3
Non-suburban	641,091	+2.89
Total	1,323,743	+8.03

Readers' Roundtable

Politics in Banking

"ALTHOUGH nearly two years are over since the rules for appointing boards of nationalised banks were framed, to-date they have not been appointed.

Mr Mohan Dharia, union Minister for Planning, has publicly criticised his own government in this connection saying that the delay "cannot be justified".

It is understood that the real difficulty is not the appointment of employee representatives but the enormous pressure by politicians to get on the boards or in the alternative to put their nominees. The other difficulty is the pressure mounted by officers in the ministries to be appointed as chairmen of new boards displacing the existing professional bankers.

Our Association has made a demand upon the Finance Ministry that when the boards are appointed the following information should be made public.

"It is very important that the depositors as also the general public should know the following details about the directors you are appointing to these public institutions.

1. What is his/her achievement in any sphere of life?
2. What are the educational qualifications and work experience?
3. Does he or she have any banking knowledge or managerial skill?
4. The annual income, and assets (this must be disclosed every year).
5. Whether he or she knows any one in the Reserve Bank of India or Finance Ministry or the ministers at union or state level.
6. Whether the nominee has been or is a member of any legislature of the country or has been active in politics during the last five years; if so, whether he or she has been defeated in any election.

(M. R. Pai)
Hon. Secretary
All-India Bank Depositors' Assn. (Bombay Branch)
235, Dr D.N. Road,
BOMBAY-1

Bombay
November 23, 1972

COMPANY AFFAIRS

Kothari Sugars

KOTHARI SUGARS and Chemicals Ltd has been able not only to wipe out the entire loss brought in from previous years with the earnings for the year ended August 31, 1972 but also to resume handsome-payment of dividend on ordinary shares. The directors have recommended a final equity dividend of six per cent and a cash bonus of three per cent for 1971-72. With the interim dividend of six per cent the total dividend for the year comes to 15 per cent. During the year under review the company has earned a substantially higher profit, the profit before depreciation being Rs 67.82 lakhs as compared to only Rs 23.14 lakhs in 1970-71. The allocation to depreciation reserve was enhanced from Rs 16.41 lakhs to Rs 17.47 lakhs while a sum of Rs 4.54 lakhs was set aside to development rebate reserve as against no provision in 1970-71. On the last occasion, after providing for depreciation and expenses relating to previous years the debit balance of Rs 24.10 lakhs was reduced to Rs 18.05 lakhs and this deficit has been completely eliminated during the year. Out of the disposable profits of 1971-72, a sum of Rs 15 lakhs was transferred to dividend reserve as against no allocation in the preceding year. An amount of Rs 4.38 lakhs as against Rs 88,201 in 1970-71 has also been earmarked for expenditure relating to previous year.

Sakthi Sugars

Sakthi Sugars Ltd proposes to capitalise Rs 38.40 lakhs out of its reserves and issue bonus shares, subject to the consent of Controller of Capital Issues, in the ratio of two shares for every five equity shares held. Besides the company is stepping up its equity dividend to 15 per cent for the year ended June 30, 1972 as compared to 12 per cent for the previous year and six per cent for 1969-70. With a jump in sales from Rs 6.48 crores to Rs 10.55 crores, gross profit before depreciation and taxation recorded a spectacular rise to Rs 135.34 lakhs from Rs 55.06 lakhs in 1970-71. The gratifying results for the year under review were due to a substantial increase in cane crushed to 5.26 lakh tonnes from 4.35 lakhs tonnes in 1970-71 while the sugar produced was significantly higher at 50063 tonnes as against 40159 tonnes with recovery moving up from 9.23 per cent to 9.52 per cent. The quantity of cane crushed for the whole of 1971-72 season was of the order of 5.91 lakh tonnes with a recovery of 9.42 per cent, and it is claimed to be the largest for any single unit in the country during this season. The directors have enhanced, appreciably the appropriation to all reserves.

The allocation to depreciation reserve was raised from Rs 20.05 lakhs to Rs 29.89 lakhs, to development rebate reserve from Rs 7.22 lakhs to Rs 13.50 lakhs, to general reserve from Rs 17.19 lakhs to Rs 72.50 lakhs, and dividend reserve from Rs 10.56 lakhs to Rs 12.95 lakhs. The gratuity fund is credited, for the first time, with a sum of Rs 6.50 lakhs. No provision has been made in respect of taxation. The estimated liability of Rs 50 lakhs on this account will be met of the general reserve as the need arises. The future prospects are quite promising as a distillery with an initial capacity of two million gallons annually has started functioning since June this year and will be making a sizeable contribution to the earnings for 1972-73. Schemes are under way to expand the capacity of this unit to three million gallons.

Hindustan Sugar

The directors of Hindustan Sugar have proposed to issue subject to the consent of the Controller of Capital Issues bonus shares in the ratio of one share for every three shares held by capitalising a sum of Rs 84 lakhs out of the company's reserves. They have also recommended payment of a dividend of 10 per cent for the year ended June 30, 1972, the same as in 1970-71. With a jump in sales from Rs 14.48 crores to Rs 20.98 crores the gross profit has moved up steeply to Rs 2.56 crores from Rs 1.69 crores in 1970-71. Out of the gross profit the directors have allocated a sum of Rs 52.26 lakhs to depreciation reserve and Rs 2.03 lakhs to development rebate reserve against Rs 55.49 lakhs and Rs 2.07 lakhs provided respectively in 1970-71. An amount of Rs 1.26 crores was appropriated to taxation reserve as against no allotment in the preceding year.

Acme Manufacturing

Acme Manufacturing Co Ltd has made satisfactory progress during the current year with sales in the first four months of the current year being higher by over 50 per cent as compared to the similar period of last year. The company is making vigorous efforts to secure orders at economic prices in spite of severe competition, their value at present exceeding one crore rupees as against only Rs 36 lakhs at the end of June 1972. In fact with the seasonal increase in sale of diesel engines, improvements in sales management for specialised job work and rapidly increasing sales of engine valves the overall sales volume is expected to reach new highs during the current year. The company has been intensifying its research and development efforts in product lines that have so far accounted for relatively small portion of the company's total volume but which doubtless offer more promising opportunities for long term growth than diesel oil engines. At the same time the management is exploring possibilities of diversifying into new lines of manufacture so as to ensure optimum utilisation of resources. The company because of its association with Walchand group was registered as an interconnected undertaking under MRTP Act. The company has made an application to the Company Law Board for delinking and once approved by the government the company will be able to carry on its activities in the normal way. Its application for the manufacture of road rollers and paver finishers are pending with the government.

International Computers

International Computers and Tabulators is keeping the equity dividend unchanged at 11 per cent for the year ended September 30, 1972. The company has earned during the year a handsome profit of Rs 29.17 lakhs, recording an improvement of as much as Rs 1.12 lakhs over 1970-71. The appropriation to depreciation reserve was stepped up from Rs 13.75 lakhs to Rs 17.30 lakhs while an amount of Rs 7.91 was transferred to development rebate reserve as against Rs 8.10 lakhs in 1970-71. No provision has been made for taxation against Rs 1.25 lakhs in the previous year.

Hypine Carbons

Though there are some units producing activated carbon for the oil industry Hypine Carbons is the only sophisticated unit manufacturing high grade activated carbon required by the chemicals, dyes and pharmaceutical industries.

The company's plant is now complete and trial runs have yielded gratifying results. Ma-

terials produced were supplied to such leading consumers as Indian Drugs & Pharmaceuticals Ltd, Hyderabad and Rishikesh; Maize Products, Ahmedabad; Glaxo Laboratories (India) Ltd., Bombay; and Hindustan Organic Chemicals, Rasayani, all of whom have since placed their orders with the company. Apart from these leading companies repeat orders have also been received from Hindustan Antibiotics Ltd, Pimpri, Roche, Sandoz, Sarabhai Chemicals, Mac-Gan Ravindra. Products samples have been approved by, and long term contracts are being negotiated with, Atul Products, Ciba, Pfizer, Synbiotics and Tata Fisson. Samples have also been sent to countries in east and west Europe, and other countries abroad, and it is hoped to finalise major orders shortly from the USSR and Japan.

The carbonizer, which is now ready, will enable the company to manufacture pine charcoal, instead of purchasing it, thereby ensuring a superior quality in the ultimate product. The carboniser will also release pine-tar as a by-product, and increase the profitability of the company in the process. It is heartening to note that production is well under way and over 250 tonnes have been produced already. The capital of the company was further increased by another Rs 15 lakhs by offering Rights Issue and out of Rs 15 lakhs offered, nearly Rs 10 lakhs were taken up. Arrangements are being made to get the balance amount subscribed.

Colour-Chem

Colour-Chem's performance in the eurrent year is expected to be far better than in 1971-72. Thanks to a marked increase in demand for several of its products the sales are expected to be well above the record levels reached in the previous year. Its plant for the manufacture of dyes-intermediates was commissioned in 1970 when the demand for its products was much lower than the installed capacity. However with the rise in demand the plant is being better utilised. The company has also paid increasing attention to research and development. Over 30 new items within its licensed capacity were developed and placed in the market during 1971-72. During the current year the company has developed entirely on its own research an important new dye-intermediate which will be manufactured for the first time in the country. A new research centre is under construction aimed primarily at substituting essential raw materials which uptil now were imported. For exports the company has been directing its main efforts to the sophisticated markets of Europe, the USA, and Canada where it has achieved a substantial export volume with the help of its collaborators, Bayer AG and Hoechst AG.

Bayer

Bayer (India) Ltd, a leader in Asia in the field of pesticides, rubber chemicals and pharmaceuticals, is now embarking on an ambitious expansion of the production capacity in respect of basic pesticides as the demand is fast growing. It is also planning to expand further the capacity for the manufacture of rubber chemicals as the demand for these, especially by the tyre industry is growing on account of the rapid increase in transport. The erection of the plants will begin in the middle of 1973 and enhanced production will become available from the middle of 1975. Besides the company has received a letter of intent for the manufacture of aromatic di-isocyanates (TDI), a basic raw material for polyurethane foams used for mattresses, thermal insulation and other purposes. It will involve a total capital expenditure of about Rs 15 crores.

CAFI

The report of Chemicals and Fibres of India for the year ended September 30, 1972 states that despite firm export orders the momentum gained in the first half of the year could not be maintained latter because of a prolonged ban on export to Sudan, a major market for 'terene' blended fabrics. The total shipments at Rs 63 lakhs were lower than those for the previous year although the export of garments, particularly trousers, to western Europe was encouraging. However, the company is confident of meeting its larger export commitments imposed in connection with expansion of the plant capacity to 6100 tonnes per year. The demand for 'terene' recorded a significant improvement in the second half of the year with the recovery of the textile industry from recession. The severity of the excise levy on polyester fibre and polyester blended fabrics, and garments, however, continues to restrict the growth of the market.

Tensile Steel

The directors of Tensile Steel Ltd have decided to capitalise Rs 15 lakhs from its general reserve by issuing bonus shares in ratio of one share for three shares held subject to the consent of CCI. The company's paid up capital will now stand at Rs 60 lakhs by the proposed issue. The company's working during the current year is considered satisfactory especially when severe power cut and consequent loss of production is taken into account. The sales for the seven month-period ended October 31, 1972 amounted to Rs 168.62 lakhs as against the sale of Rs 168.94 lakhs for the similar period last year. The company's expansion programme is making satisfactory progress. The company expects to receive shortly a letter of intent from the government of India for the production of 7,500 tonnes PC wire, which when fully implemented would bring the PC wire capacity to 17.500 tonnes from the present licence capacity of 10,000 tonnes.

Unit Trust

The sale and repurchase prices of the units of the Unit Trust of India were raised by 10 paise each to Rs 10.80 and Rs 10.50 per unit respectively with effect from November 21.

News and Notes

(*Expansion and Diversification*)

Ramon Group of Industries is setting up three ambitious projects with public participation for the manufacture of gear cutting tools, cylinder heads, and universal joint kits, etc. The total financial requirements for the projects would be of the order of Rs 7 crores. The Gear Cutting Tools Project will be in collaboration with a world-reputed Italian manufacturer and will be located at Thana, Bombay. The Factory will manufacture hobs, shaping cutters, shaving cutters, gleason blades, which are now being imported to a great extent and consumed by automobile ancillary industries, tractors, machine tools, textile machinery, earth moving equipments, printing machinery and aircraft industry. It will involve a capital outlay of approximately Rs 2 crores with an equity capital of Rs 1 crore and the balance to be raised by way of loans. Sales would be to the tune of Rs 77 lakhs and the installed capacity per annum would be — hobs 2500 nos, shaping cutters 2500 nos, shaving cutters 600 nos, gleason blades 500 nos. From very conservative estimate it is possible that company's factory would be able to generate adequate profits from the third year of its operation. The Cylinder Heads Project will be with French collaboration to be situated at Tanti in Surat district, Gujarat state. The cylinder heads to be manufaetured would be for automobile industry in general but mainly for trucks, cars and tractors. The total cost of the project would be around Rs 2 crores inclusive of equity capital of Rs 1 crore having public participation. The annual production of the plant would be around 18,000 cylinder heads with sales valued at Rs 1.80 crores. The return on capital is estimated to be 20 per cent from the second/third year of produetion.

The project for the manufacture of universal joint kits, propeller shafts, axle shafts would also have Italian collaboration and will be located at Tanti in Surat district, Gujarat state. The financial requirement of this project would be around Rs 3 crores including issued

capital of Rs 1 crore. The production target of the plant would be 1,25,000 nos, UJ Kits, 60,000 nos, Propeller Shaft Assembly and Axle Shaft Assembly 40,000 nos. per annum to be reached by methods of graduation and is expected to meet the future increase in domestic demand for end-produets as well as replacements in addition to earning foreign exchange by way of exports. Installation of latest automatic machinery and the operational economies with the expected not sales value of production of Rs 2.58 crores assure of a steady return to the investor from the third year of its operation.

Capital and Bonus Issues

Consent has been accorded to nine companies to raise capital amounting to over Rs 10.66 cores.

The Indian Oxygen Ltd, Calcutta, has been accorded consent, valid for three months, to capatilise Rs 1,54,00,000 out of its free reserves and issue fully paid equity share of Rs 10 each as bonus shares in the ratio of one bonus share for every there equity shares held.

Western Bengal Coalfields Calcutta, has been given permission for the issue of Rs 55 lakhs in debentures of Rs 1000 each carrying interest at the rate of 8.5 per cent per annum and redeemable at par after ten years but not later than eight years from the date of issue, for cash at par to be subscribed privately. The proceeds will bs utilised for financing the development programme of the company within the licensed capacity for production of coal. The consent is valid for 12 months.

Chandan Metal Products Baroda, has been granted consent for issue of bonus shares worth Rs 5 lakhs.

Graphite India, Calcutta, has been accorded consent for the issue of Rs 170.84 lakhs divided into Rs 25.84 lakhs in right equity shares, Rs 25 lakhs in 9.3 per cent redeemable cumulative preference shares to the public through a prospectus and Rs 120 lakhs in 8.5 per cent debentures to the Life Insurance Corporation and Unit Trust of India for cash at par. The proceeds will be utilised for setting up a new plant at Bangalore for the manufacture of graphite electrodes, anodes, carbon paste and miscellaneous graphite and carbon products. The consent is valid for 12 months.

The Tata Iron and Steel Co. Ltd, Bombay, has been given permission for the issue of convertible debentures of the value of Rs 100 lakhs carrying interest at the rate of 8.5 per cent per annum, for cash at par to the Unit Trust of India. The proceeds will be utilised for financing the replacement and modernisation programme of the company. The consent is valid for 12 months.

Bhilai Wires, Bhilai (MP), has made a statement of proposals for Rs 52.50 lakhs in equity share and the same has been acknowledged by the government. The proposed issue, is to be utilised for setting up a plant in the industrial area at Bhilai.

Shri Bhawani Cotton Mills Ltd, Calcutta, has been accorded consent for issue of bonus shares worth Rs 17.50 lakhs.

The Patna Electric Supply, Calcutta, has been accorded consent, valid for 3 months, to capitalise Rs 11.69 lakhs out of its general reserve and issue fully paid bonus shares of Rs 10 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Ashoka Paper Mills Ltd., Calcutta, has been granted consent, for issue of equity capital of Rs 500 lakhs for the purpose of setting up factories for manufacture of pulp and paper in the states of Bihar and Assam.

New Issue

Blow Plast will be entering the capital market sometime in February 1973 with a public issue of Rs 51 lakhs comprising equity capital worth Rs 36 lakhs in equity shares of Rs 10 each and preference capital worth Rs 15 lakhs in preference shares of Rs 100 each. Thə company's present paid-up capital is of the order of Rs nine lakhs. It is seeking government's permission to capitalise Rs 27 lakhs and issue bonus shares. After the bonus issue the company will issue fresh capital of Rs 24 lakhs in equity shares and Rs 15 lakhs in preference shares, both at par. In addition to the fresh capital issue, the directors will offer for sale cquity shares of Rs 12 lakhs at par from the holdings of the existing shareholders. Thus the offer of equity shares to the public will to the tune of Rs 36 lakhs. The company, which is now a private company, will shortly be converted into a public limited company. After the capital issue the company will get its shares listed on the Bombay stock exchange. Engaged at present in the manufacture of PVC footwear, suitcases and briefcases and plastic moulded products at its factories at Bhandup and Nasik. The company plans to manufacture plastic chairs, PVC sheetings and plastic fire extinguishers. The proceeds of the issue will be utilised partly to finance the browing business and partly to implement the diversification programmes. The company has made significant progress in the past few years. It has achieved a turnover of Rs 6.15 crores and earned a gross profit of Rs 24 lakhs in 1970-71. The company's sales are expected to increase to about Rs 7.3 crores in 1973-74 and further to Rs 10 crores in 1974-75. The gross profit too is expected to go up from Rs 50 lakhs in 1972-73 to Rs 70 lakhs in 1973-74 and touchthe Rs one-crore mark by 1974-75. The directors are hopeful of declaring a dividend of 10 per cent for 1972-73 on the increased capital. The new shares to be offered to the public will rank for dividend from the date of allotment.

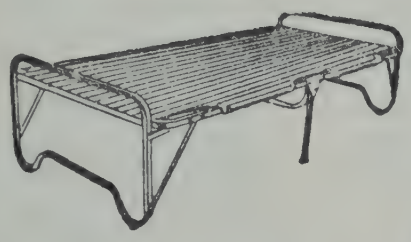
Dividends

(Per cent)

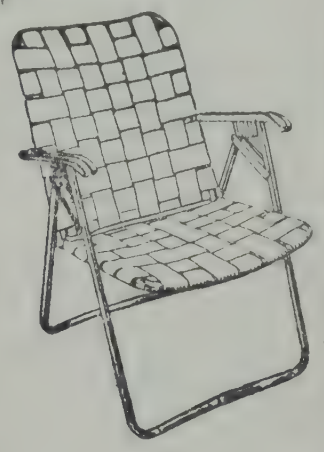
Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Amalgamated Coalfields	March 31, 1972	12.5	10.0
Pench Valley Coal Co.	March 31, 1972	12.5	10.0
Rohit Pulp and Paper Mills	March 31, 1972	12.0	10.0
Sitalakshmi Mills	June 30, 1972	25.0	20.0
Rameshwara Jute	March 31, 1972	5.0	Nil
Nav Bharat Vanijya	May 31, 1972	10.0	7.5
South India Steel & Sugars	June 30, 1972	9.0	Nil
Vidarbha Paper Mills	June 30, 1972	6.0	4.0
Oudh Sugar Mills	June 30, 1972	25.0	22.0
Same Dividend			
Corla Spg. & Wvg. Co.	March 31, 1972	9.0	9.0
Indian Detonators	June 30, 1972	10.0	10.0
Ruby Rubber Works (Madras) Ltd	December 31, 1971	Nil	Nil
Reduced Dividend			
Amrit Banaspati Company	March 31, 1972	Nil	9.0
Sungma Tea Co.	December 31, 1971	3.0	5.0

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TATA CHEMICALS LIMITED

Speech delivered by the Chairman, Mr J.R.D. Tata, at the 33rd Annual General Meeting of the Company, on Thursday, 23 November, 1972.

Ladies and Gentlemen,

A decade of progress

It does not happen often that a Company can report to its shareholders uninterrupted progress in output, revenue and profit for ten consecutive years during which it has produced over Rs. 100 crores worth of vital industrial raw materials and saved an equal amount of foreign exchange, provided nearly Rs. 14 crores in wages and benefits for employees, paid nearly Rs. 17 crores in taxes to the exchequer and saved the consumer nearly Rs. 3 crores in the form of lower prices than those charged by its competitors.

2. The performance of the Company over the last decade is all the more creditable in that it has been achieved entirely on its own without any outside assistance in an especially difficult field of basic chemicals.

3. The Company's success in over coming the grievous initial difficulties which for some time threatened its very survival, in developing its own know-how and technology and in achieving its present undisputed technical and commercial leadership has been mainly due to the self-reliance, determination, technical competence, high spirit and morale of its personnel from top management downwards.

4. In no industrial venture in the country of which I know is management more highly professionalised than in Tata Chemicals. Ten out of twelve of our top executives are "technocrats", and all of them have risen from the ranks and grown deep roots in the otherwise arid soil of Mithapur.

5. Tata Chemicals thus provides a significant example of what Indian private enterprise can achieve for the country when led by high calibre professional management imbued with pioneering zeal and a patriotic spirit. This is the kind of commitment we want in the economic and industrial managers of our economy, whether in the public or private sector and not a commitment to any ideology.

Dedication to the public interest

6. We hear a lot today about the evils and dangers of concentration of economic power in large-scale private enterprise. Your Company provides on its own an answer to these forebodings. With its dominant position in soda ash and with the freedom it has to control the quality, price and distribution of its products, there are, no doubt, those who would consider it guilty of a dangerous concentration of economic power. The exemplary manner in which your Company has exercised such economic power for the common good, and not to the common detriment assumed so freely by those who can see nothing good in free enterprise, has, I hope, helped in correcting the adverse image which much of the private sector has deservedly acquired in the country.

7. Tata Chemicals has throughout lived up to the most stringent criteria that can be established to assess the performance of a business concern in the socio-economic context of the day. It has throughout safeguarded and promoted the interests of its consumers by providing them with products of the highest quality at prices lower than those of its competitors and distributing them in such a manner as to ensure that they could not find their way into the black market; of its employees by paying them the highest wages in the industry, providing them with the best conditions of work and health, housing and educational benefits for themselves and their families, and giving them the maximum job satisfaction reflected, year after year, in excellent labour relations; of its shareholders by providing them with increasing dividends, and a growing market value for their shares; and finally, of the community by a sustained programme of support to the people of Okhamandal, where its works are located, and particularly to those in need of relief and help. With such resources, physical and human, and with such an unsurpassed record of performance and social consciousness, the Company has been for some years poised to play an even bigger role in meeting the country's needs.

Fertiliser Project

8. While we have been permitted to undertake a substantial expansion in the manufacture of soda ash and other marine chemicals at a fraction of the cost in rupees and foreign exchange at which it could have been achieved by others, we cannot but deeply regret that our efforts to extend our activities to the development of the all important fertiliser industry have so far been frustrated. The fate of the great and imaginative project which we submitted to Government five years ago, is too well known to need recapitulation.

9. It is good to know, however, that the premises on which the project was based, many of which were contested and opposed in official circles, have all been vindicated with the passage of time.

10. Let it also be known that if the project had been cleared, as originally planned, it would already be today at that stage of its eight-year development programme when it would be producing annually 800,000 tonnes of balanced fertilisers valued at about Rs. 70 crores which the country is compelled instead to import at heavy foreign exchange cost.

11. Weary, but not defeated, we persisted in our efforts and I am glad to say that at long last, it now seems that the project, though considerably curtailed in its scope, will materialise. We filed our application for the conversion of the letter of intent which was issued to us last May into an industrial licence and, by the time we meet next year, I hope that the project will be well on its way to fulfilment.

12. Short only of endangering the economic viability of the great national asset that our Mithapur base is today, we will do all within our power to implement the project as expeditiously as possible. While, as stated earlier, the project has been considerably curtailed in scope by comparison with that of the original project, I have every hope that in view of the great benefits by way of increased efficiency lower costs, and larger savings in foreign exchange that will accrue to the country through the use of the most advanced technology, Government will in due course themselves wish us progressively to expand and diversify the project and thus enable Mithapur to realise its full potential in the allied fields of alkalies, fertilisers and marine products

13. In the meantime, as stated in the Report, we are proceeding expeditiously with the recently licensed expansion of our soda ash capacity to a thousand tonnes per day, which we expect to complete by mid 1974 and I hope that Government will soon convert into an industrial licence the letter of intent they have issued to us for a further expansion which would bring our total capacity to about half a million tonnes a year,

14. I am sure that in the light of the Company's sustained record of progress, the shareholders will approve of the proposal before them for an issue of equity capital, subject, of course, to the approval of the Controller of Capital Issues.

15. With the continued growth of its activities in its own field of soda ash, alkalies and marine chemicals, and its long hoped for entry into the entirely new field of fertilisers, it is clear that the Company must enlarge its capital base. On the basis of its past record of achievement, I have little doubt that such expansion of capital will be, in both the short term and long term inte-

rests of the shareholders.

Ventures abroad

16. It is now two years since shareholders were first informed of the Company's decision to compete for a project for the establishment of soda ash industry in Argentina, in response to an invitation by the Government of that country for worldwide tenders. Last year we reported that the commission appointed by the Government to assess the bids had rated the Tata bid as the best, but that they had decided, for various reasons, to enter into negotiations with the bidders.

17. Although progress has been slower than was originally anticipated, I am glad to be able to report that the matter now seems fairly near a final decision. It is likely, however, that because of a desire to accelerate the industrial development of an area of that country different from the one in which we had planned to establish the Tata sponsored project, the final schema will take the form of a collaboration with one of the other tenders, the proposed location of whose project was in the region now apparently preferred

18. Shareholders may be interested to know that we have also initiated negotiations with an industrial group in a European country for the establishment of a soda ash plant, but on a somewhat smaller scale than the Argentinian one.

19. The fulfilment of either or both of these schemes will establish beyond doubt in other parts of the world, the high competence and leadership of your Company in this difficult field of basic chemicals, and open the door, I hope, for further beneficial developments abroad.

20. We shall continue our efforts in that direction fully aware of the many-sided difficulties involved in undertaking such large commitments abroad, but with the confidence derived from the self-reliance and experience we have built up over the years.

Prospects for the current year

21. As four months have passed since the close of the year under review, and shareholders are usually anxious to have the latest information on the progress of the Company, I am glad to inform you that the Company is continuing to make good progress in the current financial year. Although for the four months ending 31 October, production has been only slightly higher than during the corresponding period last year because of the unexpected trouble with the High-Pressure Boiler which has since been rectified, I have every hope that, barring unforeseen circumstances, the results for the current year will for yet another year be better than those achieved during the previons year.

22. I am sorry to say however that Okhamandal is in the grip of a severe drought. The Company has launched a major programme of assistance to the Okhamandal community by way of supply of drinking water to every village which needs it, medical care, child care, cattle fooder, supply of seeds etc. In addition, the Company is offering about 1,000 additional jobs—at regular wages—to the Okhamandal community so long as the present drought conditions persist.

May I, as usual, on your behalf and mine extend to our Managing Director and all other members of Management and Staff, our grateful thanks for the manner in which they have conducted the Company's affairs during the past year to the continued and growing benefit of all concerned. The apparent ease and continuity of their success in producing each year better results than in the previous one, should not however mislead us into believing that their's has been or is today, an easy task. From personal knowledge, I can vouch for the tremendously hard work, ingenuity, and unremitting efforts required to achieve such results. It is very much to their credit that they have not allowed success during the past few years to damp their zeal to outperform themselves, and I hope they never will.

(Note : This does not purport to be a record of the proceedings of the Annual General Meeting of the company.)

"You don't look as if you've spent a long hard day at the office," said my wife.



(Suspicious, that's what women are!)

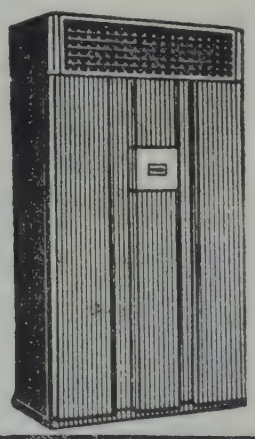
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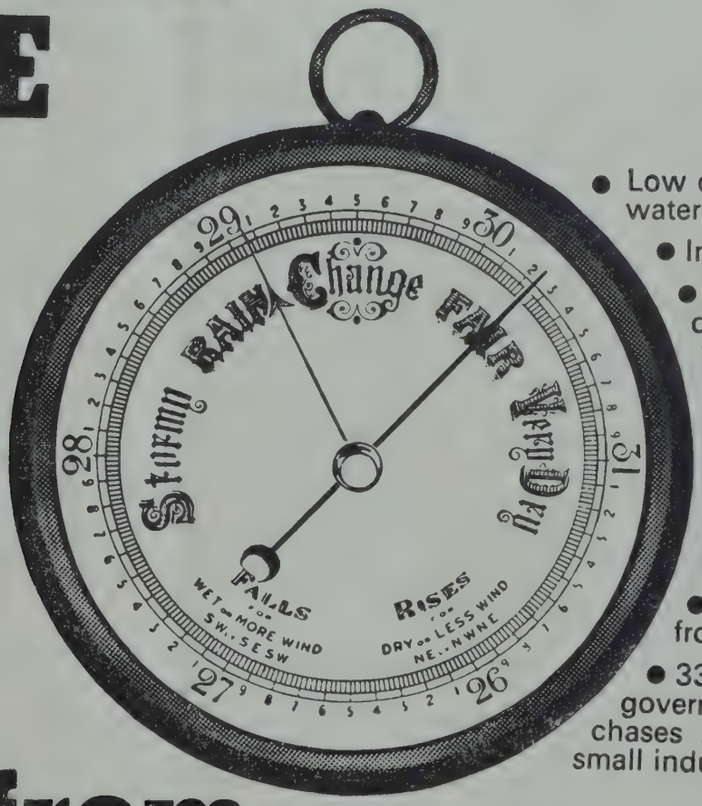


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Mysore State Financial Corporation

1/1, 2nd Main Road, Malleswaram, Bangalore-3. Phone: 71169

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RECORDS AND STATISTICS

Industrial Growth : 1969-72

THE AGENDA papers circulated by the Ministry of Industrial Development for the 24th meeting of the Central Advisory Council of Industries included a review of the industrial scene in the country; the review showed that the index of industrial production in the first five months of the current year had recorded a rise of 7.5 per cent over the corresponding period in 1971. Such important industries as cotton textiles and transport equipment had made a distinct recovery. However, shortages in power, coking coal and transport bottlenecks had continued to hinder acceleration of the industrial growth rate.

The review is given below in full:—

The year 1971-72 was characterised by severe strains brought to bear on the national economy. The economy continued to grow during the year, but at a slower rate than was envisaged during the fourth five-year Plan. The growth rate of national income during 1971-72 was expected to be no more than 4 per cent as compared with 5 per cent achieved in 1970-71 and 5.5 per cent in 1969-70.

The year 1972-73 began with hopes of higher economic growth, though there are some disturbing trends (particularly as to agricultural output and to prices). The growth rate in industrial production has picked up. The index of industrial production during the first five months of 1972 was higher by 7.5 per cent as compared with that of January-May 1971. Important industries like cotton textiles and transport equipment which had shown a decline in production during 1971 have made a distinct recovery during the current year and other industries like chemicals, basic metal industries, and non-electrical machinery have shown continued growth in production. However, power shortages in certain areas, shortages of coking coal (for the steel industry) and transport bottlenecks have hindred the acceleration of the industrial growth rate.

In the field of investment, the trends of registration of new companies and their proposed share capital as well as of issue of new capital, are encouraging.

However, in the agricultural field, hopes of a bumper crop have been belied due to the delayed, and in many areas insufficient rains. Some cash crops may still fare well, but some others may be adversely affected. Thus, while sugar production may be better than last year, it may still not reach the levels attained in 1970-71. The prospects of the cotton crop have improved with the late onset of the monsoon, but groundnut production has been seriously affected, which may affect the prices of edible oils and vanaspati.

As to prices, during September 1972, the index number of wholesale prices has reached the peak of 208.7, which is 9.1 per cent higher than the position a year ago. The liquidity position of commercial banks is comfortable. Against the unprecedented growth in money supply and monetary resources (arising from Government deficit spending), the Reserve Bank has had to enforce general restraint on credit, and at the same time ensure the availability of credit to meet the requirements of production. Special emphasis has been given to both agricultural credit and credit to the small-scale sector.

India's exports during the first five months of the year have shown an impressive increase of 18 per cent over the corresponding period of the last year. The foreign exchange position is comfortable in spite of a drop in the reserves. However, owing to growing import needs in respect of steel, fertilizers, petroleum products and other essential requirements of the economy, the need for accelerated emphasis on export growth, and of import substitution efforts, is more than ever of urgency and importance.

2 (a): **Index of Industrial Production, 1971**:

The general index of industrial production at 186.1 for the year 1971 registered a disappointing percentage increase of some 3 per cent over the previous year as compared with the modest increase of 4.8 per cent recorded in 1970 over 1969.

An analysis of the 1971 index of industrial production by industrial groups and subgroups indicates that apart from 'electricity generated' which rose by 7.3 per cent and 'mining and quarrying' which rose by 3 per cent, the major group 'manufacturing' showed a growth rate of only 2.3 per cent.

The major growth leaders in the group 'manufacturing' were as follows:—

	Per cent
Wood and Cork Mfrs.	12.8
Woollen Textiles	12.4
Rubber Products	12.1
Electrical Machinery	11.6
Jute Textiles	11.3

Industrial groups that have maintained a reasonable growth rate (say between 4 to 10 per cent) include:—

Non-metallic Minerals	9.7
Beverage & Tobacco	7.3
Mfr. of Metal Products	7.0
Mfr. of Chemicals	6.8
Petroleum Refinery Products	6.6
Paper & Paper Products	4.2
Mfr. of Leather Footwear	4.2

The major areas of concern where production levels had either declined or had just been maintained include:—

Leather & Fur Products	—15.3
Transport Equipment	—7.5
Cotton Textiles	—5.9
Basic Metal Industries	+1.5
Non-electrical Machinery	+1.0
Food Manufactures	+0.1

In the group 'transport equipment', the decline can be attributed to a fall in the production of railway wagons (due to lack of firm orders); a decline in orders executed for ship building and repairing (from Rs 1174 lakhs in 1970 to Rs 962 lakhs in 1971) and a fall in the production of bicycles and motor cycles.

In the group 'cotton textiles',

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there has been a decline in the production of both cotton yarn and cotton cloth mainly due to a shortage of raw cotton.

The low growth rate in the 'basic metal industries' can be traced to a fall in the production of finished and semi-finished steel, steel ingots and pig iron.

The comparatively static picture observed in the 'manufacture of non-electrical machinery' can be ascribed to a fall in the production of power driven pumps, vehicular diesel engines, tea machinery, air compressors and tractors.

2 (b): Index of Industrial Production, 1972 (January-May)

The official index for the first five months of 1972 (January-May) stands at 198.2 showing an increase of 7.5 per cent as against an increase of 1.4 per cent registered during the corresponding period of 1971. The major group 'manufacturing' has registered an encouraging increase in production, by +6.8 per cent as compared with +1.1 per cent in the corresponding period of 1971.

The major contribution to this resurgence in industrial production can be traced back to a healthy revival in the manufacture of cotton/woollen/jute textile, paper products, rubber products, manufacture of chemicals and electrical machinery.

There have also been encouraging increases in the production of leather footwear, petroleum refinery products, non-metallic minerals, basic metal industries, non-electrical machinery and transport equipment.

It may be mentioned that of particular importance is the step-up in the amount of electricity generated, which has increased by 12.5 per cent during January-May 1972, as compared to only 7.3 per cent during 1971. This increase is likely to have been moderated in the succeeding months owing to the delayed monsoon (and consequent low level of water supply for hydro-electric power generation).

3. Production of Selected Industries, 1972 (January-July)

While data on the official index are available only up to May 1972, provisional production data are available for 125 selected industries for the period January-July 1972.

Industries that have recorded creditable increases in production include steel pipes and tubes (47 per cent), sugar mill machinery (36 per cent), weighing machinery (32 per cent), motor cycles (41 per cent), three-wheelers (89 per cent), electric fans (28 per cent), VIR and PVC Cables (30 per cent), nitrogenous fertilizers (28 per cent), phosphatic fertilisers (21 per cent), calcium carbide (25 per cent), bicycle tyres/tubes (25 per cent), tractor tyres (31 per cent), aluminium conductors (22 per cent).

Industries that have recorded appreciable increases in production (ranging between 10 and 20 per cent) include machine tools, tea processing machinery, ball and roller bearings, bicycles, dry batteries, electric lamps, cotton cloth/yarn, soap, bleaching powder, liquid chlorine, petroleum refinery products and leather footwear.

Industries that have recorded reasonable increases in production (ranging between 5 to 10 per cent) include tractors, steel castings, room air conditioners, hurricane lanterns, caustic soda, paints and varnishes, viscose filament yarn and jute manufactures.

4. Industrial Licensing & Investment

The total number of Industrial Licences and Letters of Intent issued during the current year is indicated below, together with the figures for the corresponding period of last year, and for the full years from 1968.

Year	Industrial Licences issued	Letters of Intent issued
1968	222	158
1969	221	331
1970	363	438
1971	625	1015
Jan-July 1971	410	618
Jan-July 1972	252	531

In so far as industrial investment is concerned, it appears from available indicators that there has been some step-up in the rate of investment. It appears from available information, however, that this step-up is entirely based on increased assistance from financing institutions.

The number of new companies registered has increased of late as follows:—

Year	No of new companies registered
1968-69	1115
1969-70	1510
1970-71	1927
1971-72	2524
1971-72 (1st Qr)	548
1972-73 (1st Qr)	774

There has also been a step-up in the "consents" for the capital issues during 1972, the increase being mainly in the form of debentures as given in Table A.

It will be seen that there are indications of a step-up of investment in private industrial sector, particularly if import licensing of Capital Goods be taken as an index of matching investments which would have to be made. However, it will also be seen that while there has been a substantial increase in the amount of financial assistance disbursed by the term lending institutions — the amount disbursed having nearly doubled in the last four years —the capital raised by non-government companies has been stagnant. This points to the need for an acceleration in the pace of resource raising from the private sector for private industrial investment.

Table A

(Rs crores)

	Jan-Sept 1970	Jan-Sept 1971	Jan-Sept 1972
I. Total Equity	45.23	41.30	52.56
(a) New issues	8.21	8.96	27.66
(b) Rights	17.3	4.45	5.85
(c) Bonus	29.14	18.81	15.87
(d) Others	6.15	9.08	3.18
II. Preference	4.43	1.92	7.45
III. Debentures	5.10	6.22	44.48
Total Consents	54.76	49.44	104.49

The Table B gives some indicators of investment activity over a longer period :

Table B

(Rs crores)

Year	Capital raised by non-govt companies (calendar year)*	CG/HEP Licences Issued (April-March)	Assistance disbursed by all term lending financial institutions* (April-March)
1968-69	96.4	83.8	85
1969-70	92.7	73.2	111
1970-71	86.7	127.1	133
1971-72	77.7	252.2	162

*Source: Annual Report of the IDBI.

TABLE I

Production of Selected Industries: 1969-72

Sl No	Industry	Unit	1969	1970	1971	Jan-July 1971	Jan-July 1972 (Prov)	Percentage change in 1970 over 1969	Percentage change in 1971 over 1970	Percentage change in (Jan-July 72) over (Jan-July 71)
1	2	3	4	5	6	7	8	9	10	11
I.	**Mining & Quarrying**									
1.	Coal (including Lignite)	Th. Tonnes	79599	77243	73265	42432	45247	—3.0	—5.4	+6.6
2.	Iron Ore	,,	29567	31366	33720	12261	13146	+6.1	+7.5	+3.0
II.	**Food Manufacturing Industries**									
3.	Flour Milling	Th. Tonnes	1736	2429	2527	1592	1652	+39.9	+4.0	+3.8
4.	Sugar	,,	3868	4261	3670	2777	2208	+10.2	—13.9	+20.5
5.	Vanaspati	,,	482	532	590	340	351	+10.0	+10.9	+3.2
6.	Tea	M. Kgs.	394	422	429	192	194	+7.1	+1.1	+1.0
7.	Salt	Th. Tonnes	5138	5588	5426	4413	5338	+8.8	—2.9	+21.0
III.	**Tobacco Industries**									
8.	Cigarettes	Mill. Pcs.	59714	62930	55779	38163	35869	+5.4	4.5	—6.0
IV.	**Manufacture of Textiles**									
9.	Cotton Yarn	Mill. Kgs.	951	955	881	502	580	+1.5	—8.9	+15.5
10.	Cotton Cloth (Mill-Made)	Mill Mtrs.	4168	4157	3957	2280	2507	—0.3	—5.9	+10.0
11.	Rayon									
	(i) Viscose Yarn	Th. Tonnes	36.8	36.1	37.0	21.7	23.2	—1.9	+2.5	+6.9
	(ii) Staple Fibre	,,	58.4	68.3	60.7	40.4	39.0	+8.4	—8.4	—3.5
	(iii) Acetate Yarn	Tonnes	1987	1059	1922	1122	1162	—1.4	—1.9	+3.6
12.	Jute Manufactures	Th. Tonnes	894	954	1090	628	663	+6.6	+14.3	+5.6
V.	**Footwear & Other Wearing Apparal**									
13.	Footwear-Western Type	Th. pairs	8630	7711	8350	4667	5521	—10.7	+8.3	+18
14.	Footwear-Indigenous Type	,,	7839	7739	7637	4646	5282	—1.3	—1.3	+13.7
VI.	**Manufacture of Wood & Cork**									
15.	Plywood:									
	(i) Teachest	M.Sq. Mtrs	5.91	4.60	4.95	3.01	2.01	—22.2	+7.6	—33.2
	(ii) Commercial	,,	18.09	19.00	22.59	13.43	11.63	+4.9	+19.1	—13.4
VII.	**Paper & Paper Board**									
16.	Paper & Paper Board	Th. Tonnes	707	757	781	444	454	+7.1	+3.2	+2.3
17.	Newsprint	Tonnes	35303	37341	40081	24251	24874	+5.8	+7.3	+2.6
VIII.	**Leather & Fur Products**									
18.	Tanned Hides									
	(i) Chrome	Th. Nos.	800	1314	1136	708	661	+64.3	—13.5	—6.6
	(ii) Vegetable	,,	2384	969	962	588	541	—59.4	—0.7	—8.0
19.	Leather Cloth	K.M.S.	11526	10037	8214	5414	5721	—12.9	—18.2	+5.7

(Contd.)

1	2	3	4	5	6	7	8	9	10	11
IX	**Rubber Products**									
20.	Rubber Footwear	M. Pairs	49.4	44.8	44.8	25.3	26.3	—9.3	—	+4.0
21.	Tyres									
	(i) Automobiles	Th. Nos.	3214	3225	4190	2287	2427	+0.3	+29.9	+6.1
	(ii) Bicycles	,,	21611	20989	20664	10391	12986	—2.9	—1.5	+25.0
	(iii) Tractors	,,	178	186	229	122	160	+4.5	+22.6	+31.1
22.	Tubes									
	(i) Automobiles	,,	2559	2921	4036	2230	2427	+14.2	+38.2	+8.8
	(ii) Bicycles	,,	17064	15841	33455	6820	8494	—7.2	—15.1	+24.5
	(iii) Tractors	,,	160	181	221	121	141	+13.1	+21.7	+16.5
X.	**Chemical Products**									
23.	Sulphuric Acid	Th. Tonnes	1160	1189	1280	755	824	+2.5	+7.7	+9.1
24.	Caustic Soda	,,	347	361	377	213	229	+4.3	+4.1	+7.5
25.	Soda Ash	,,	422	446	479	275	284	+5.7	+7.4	+3.3
26.	Liquid Chlorine	,,	129	147	162	79	87	+14.0	+10.2	+10.1
27.	Bleaching Powder	,,	15.7	13.7	16.7	9.2	10 2	—12.4	+21.9	+10.9
28.	Bichromates	Tonnes	8405	10843	7490	4270	4168	+29.0	—30.9	—2.4
29.	Nitrogenous Fertilizers (N. Content)	Th. Tonnes	672	813	889	487	625	+19.7	+9.4	+28.3
30.	Phosphatic Fertilizer (P_2O_5 Content)	Th. Tonnes	217	200	250	147	178	—7.2	+25.0	+21.1
31.	Alum.	Tonnes	591	412	370	256	Nil	—30.3	—10.2	..
32.	Copper Sulphate	,,	2107	2168	2438	1496	1583	+2.9	+12.5	+5.8
33.	Glue	,,	2074	2160	2720	1482	1793	+4.1	+25.9	+21.0
34.	Glycerine (Refined)	,,	11000	11056	9700	5916	5661	+0.5	—12.3	—4.3
35.	Soap	Th. Tonnes	2388	232	260	145	164	—2.5	+11.8	+13.1
36.	Matches	Mil. Boxes	6139	4758	4634	2664	2737	—22.5	—2.6	+2.5
37.	Paints	Th. Tonnes	62.1	65.2	68.0	38.5	41.0	+5.0	+4.3	+6.4
38.	Power Alcohol	K/L	592	641	679	268	513	+8.3	+5.9	+91.4
39.	Industrial Alcohol (Rectified Spirit)	Th. K. Litres	220	253	253	155	301	+15.0	—	+94.2
40.	Welding Gas									
	(i) Oxygen Gas	Mil. Cu. Mtrs.	37.6	39.0	52.5	30.6	34.0	+3.7	+34.7	+11.1
	(ii) Acetylene Gas	Th. Cu. Metres.	5.64	6.12	6.37	3.85	4.00	+8.5	+4.1	+3.9
41.	Calcium Carbide	Th. Tonnes	65.6	69.5	69.5	34.0	42.5	+6.3	..	+25.00
42.	Vat Dyes	Tonnes	1283	1234	1075	668	589	—3.8	—12.9	—11.8
43.	Azo Dyes	,,	1543	1400	2651	1386	1306	—9.3	+89.7	—5.8
44.	Stabilized Azoics	,,	134	98	246	116	97	—26.9	+149.9	—16.4
45.	Solubilised Vats	,,	112	124	123	71	58	+10.7	—0.9	—18.3
46.	Sulphur Black	,,	1547	1476	1345	939	848	—5.6	—8.9	—9.7
47.	Naphthol	,,	887	986	1240	776	768	+11.2	+25.8	—1.0
48.	PF Moulding Powder	,,	2643	3246	2486	1379	1301	+9.1	—3.6	—5.7
49.	UF Moulding Powder	,,	1546	1680	1619	992	924	+8.7	—3.6	—6.9
XI.	**50. Petroleum Refinery Products**	Th. Tonnes	15975	17084	18210	10243	12099	+6.7	+6.6	+17.4
XII.	**Manufacture of Non-Metallic Mineral Products**									
51.	Refractories	Th. Tonnes	646	743	807	482	465	+15.0	+8.6	—3.5
52.	Insulators:									
	(i) HT	Tonnes	15433	17865	17479	9965	13406	+15.8	—2.2	+34.5
	(ii) LT	,,	1842	2259	1767	8190	8401	+22.6	—11.8	—29.4
53.	Cement	Th. tonnes	13624	13955	14931	8728	8979	+2.4	+7.0	+2.9

(Contd.)

1	2	3	4	5	6	7	8	9	10	11
	54. Asbestos Cement Sheets	,,	296	361	290	227	213	+22.0	+7.8	—6.2
	55. Grinding Wheels	Tonnes	4577	6062	6920	3959	4259	+32.4	+14.3	+7.6
	56. Coated Abrasives	Th. Reams	156	162	203	110	98	+3.8	+25.3	—10.9
	57. Glazed Tiles	Tonnes	18672	19639	20696	12157	14226	+5.2	+5.4	+18.0
	58. Sheet Glass	Th. Sq. Mtrs.	17260	14713	16885	9757	10212	—14.8	+14.8	+4.7
XIII.	**Basic Metal Industries**									
	59. Steel Ingots	Th. Tonnes	6433.6	5990.9	5747.4	3428.0	3452.0	—3.9	—4.1	+0.7
	60. Finished Steel	,,	3687	3738	3363	2053	2163	+1.4	—10.0	+5.4
	61. Aluminium Ingots	,,	133	161	178	101	106	+21.1	+10.6	+5.0
	62. Copper	Tonnes	9751	9311	9554	5615	4631	—4.5	+2.6	—17.5
	63. Lead	,,	1958	1861	1540	1200	1541	—5.0	—17.2	+28.4
	64. Steel Castings	Th. Tonnes	45.9	55.9	54.3	31.6	33.6	+21.8	—2.9	+6.3
	65. Antimony	Tonnes	637	526	605	312	548	—17.4	+15.0	+75.6
	66. Zinc	Th. Tonnes	23.9	21.3	21.2	7.3	7.4	—10.9	—0.5	+1.4
	67. Steel Pipes & Tubes	Th. Tonnes	298	217	219	123	181	—17.2	+0.7	+27.2
XIV.	**Manufacture of Metal Products**									
	68. Screws									
	(i) Wood	Mill. Nos.	1372	1453	1522	887	846	+5.9	+4.7	—4.6
	(ii) Machine	,,	441	435	600	328	334	—1.4	+37.9	+1.8
	69. Razor Blades	Th. Nos.	3917	857	676	240	507	—6.5	—21.4	+111.3
	70. Hurricane Lanterns	,,	3660	3564	3050	1890	2007	—2.6	—14.4	+6.2
	71. Crown Corks	Mill. Nos.	1299	1225	1395	1022	638	—15.7	+13.9	—37.5
	72. Wire Ropes	Tonnes	18191	19261	19672	11841	10785	+5.9	+2.1	—8.9
	73. Bright Bars	Th. Tonnes	44.3	47.5	51.7	31.5	31.5	+7.2	+9.2	—
XV	**Manufacture of Machinery**									
	74. Tractors	Nos.	18093	19931	16545	9069	9828	+10.2	—17.0	+8.4
	75. Diesel Engines									
	(i) Stationery	Th. Nos.	142	68	84	59	32	—23.5	—23.5	—45.8
	(ii) Vehicular	Nos.	2666	3299	2579	1695	831	—23.7	—21.8	—51.0
	76. Power Driven Pumps	Th. Nos.	382	279	245	131	129	—27.0	—12.2	—1.6
	77. Machine Tools	Rs Lakhs	3167.23	4219.52	5929.17	3316.00	3849.00	+33.2	+40.5	+16.2
	78. Ball & Roller Bearings	Mill. Nos.	13.41	18.05	18.87	10.70	12.30	+34.6	+4.5	+15.0
	79. Sowing Machines	Th. Nos.	407	178	328	211	184	—56.3	+84.3	—12.8
	79. Typewriters	Th. Nos.	28	39	43	25	27	+35.7	+15.8	+8.6
	81. Twist Drills	,,	10060	10074	8087	5249	6204	+0.1	—19.1	+18.2
	82. Sugar Mill Machinery	Rs Lakhs	1252.00	1453.47	1634.75	836.09	1136.98	+16.1	+2.5	+36.6
	83. Tea Processing Machinery	,,	148.00	118.89	101.41	64.09	70.84	—19.7	—14.7	+19.3
	84. Cement Mill Machinery	,,	980.00	840.00	327.28	195.94	113.07	—14.3	—61.0	—12.3
XVI.	**Manufacture of Electrical Machinery**									
	85. Power Transformers	Th. VA	5042	7609	8788	5235	5077	+50.9	+15.5	—3.0
	86. Electric Motors	Th. H.P.	2080	2840	2310	1448	1473	+36.5	—18.7	+1.7
	87. Dry Batteries	Mill. Nos.	477	491	578	321	373	+2.9	+17.7	+16.2
	88. Storage Batteries	Th. Nos.	1157	1158	1138	661	666	+0.1	—1.7	+0.8
	89. Electric Lamps:									
	(i) GLS & Others	Mill. Nos	99.33	103.73	99.84	57.40	64.50	+14.8	—3.8	+12.4
	(ii) Flourescent Tubes	Th. Nos.	10240	10480	10560	6163	7147	+2.3	+0.8	+16.0
	90. Electric Fans	,,	1554	1574	1959	1182	1509	+1.3	+25.5	+27.7
	91. Radio Receivers	,,	1740	1770	1980	1112	1082	+1.7	+11.9	—2.7

(Contd.)

1	2	3	4	5	6	7	8	9	10	11
92.	House Service Meters	,,	1578	1799	2203	1242	820	+14.0	+22.5	—34.0
93.	Domestic Refrigerators	Th. Nos.	48.6	65.3	87.1	50.0	50.4	+34.4	+33.4	+0.8
94.	Room Air Conditioners	,,	12.8	17.0	21.3	15.5	16.6	+32.8	+25.3	+7.1
95.	Cables & Wires									
	(i) Bare Copper Conductors	Tonnes	2242	735	788	380	334	—67.2	+7.2	—12.1
	(ii) ACSR & AAC	Th. Tonnes	59.5	65.0	72.8	41.1	50.0	+9.2	+12.0	+21.7
	(iii) Winding Wires	,,	14.6	16.2	19.2	11.5	11.3	+11.0	+18.5	—29.5
	(iv) VIR & PVC	Th. Mtrs.	372	423	515	298	386	+13.7	+21.7	+29.5
XVII.	**Non-Electrical Machinery**									
96.	Lifts	Nos.	523	476	575	371	272	—9.0	+20.8	—26.7
97.	Cranes (Other than mobile)	Tonnes	57.5	7101	9653	5457	7081	+24.5	+35.9	+29.8
98.	Weighing Machinery	Rs Lakhs	162.79	225.30	292.33	153.90	203.92	+38.4	+29.7	+32.5
XVIII.	**Transport Euipment**									
99.	Automobiles (Total)	Th. Nos.	75.7	82.2	86.8	50.8	49.8	+8.6	+5.6	—2.0
100.	Motor Cycles	,,	34.5	43.0	39.8	19.9	28.1	+24.6	—7.4	+41.2
101.	Scooters	,,	49.3	58.4	67.2	46.4	40.0	+18.5	+15.1	—1.0
102.	Three Wheelers	Nos	5072	4229	6146	2961	5593	—16.6	+45.3	+88.9
103.	Bicycles	Th. Nos	1993	2094	1826	1078	1216	+5.1	—12.8	+12.8
104.	Railway Wagons	Nos	13214	9477	7454	4370	5053	—28.5	—21.3	+15.6
105.	3 & 4 wheelers	,,	2578	3497	3322	1875	2085	+35.6	—5.0	+11.2

@Figures relates to Main Producers only *viz.* Bhilai, Rourkela, Durgapur, TISCO and IISCO.

TABLE II

Industrial Development in Core Industries

Sl No	Name of the Industry	Unit	Installed Capacity as on 1.4.1971	Production during 1971-72	Installed Capacity as on 1.4.1972	Additional Capacity Covered by Capital Goods approvals	Additional Capacity not yet Covered by C.G. approvals	Total Capacity Licensed & Covered by Letter of Intent 6+7+8	Fourth Plan Targets (1973-74)	
									Capacity	Production
1	2	3	4	5	6	7	8	9	10	11
1.	**Iron & Steel**									
(i)	Steel Ingots	Mill. Tonnes	9.0	6.3	9.0	3.0	Nil	12.0	12.0	10.8
(ii)	Finished Steel	,,	6.9	4.5	7.0	1.4	Nil	12.4	9.0	8.1
(iii)	Pig Iron for Sale	,,	1.3	1.3	1.3	Nil	2.5	3.8	4.2	3.8
(iv)	Alloy and Special Steel (Finished Steel)	,,	214.4	323.0	214.4	Nil	40.0	251.4	250.0	220.0
2.	**Non-Ferrous Metals**									
(i)	Aluminium	Th Tonnes	167.7	181.5	177.7	148.0	105.0	430.7	230.0	220.0
(ii)	Copper	,,	9.6	8.3	16.5	31.0	Nil	47.5	47.5	31.0
(iii)	Zinc	,,	38.0	24.6	38.0	Nil	Nil	38.0	76.0	70.0
3.	**Industrial Machinery**									
(i)	Chemical Machinery	Rs Mill	136.0	185.0	274.0	120.2	142.5	536.7	300.0	275.0
(ii)	Printing Machinery	,,	8.6	4.1	9.6	103.0	112.8	225.4	100.0	80.0
(iii)	Rubber Machinery	,,	5.8	2.0	11.2	71.1	78.8	161.1	150.0	120.0

(*Contd.*)

1	2	3	4	5	6	7	7	9	10	11
	(iii) Paper & Pulp Machinery	"	65.6	63.0	65.6	19.5	428.7	513.8	150.0	135.0
	(v) Selected Machine Tools*	"	700.0	503.0	700.0	25.3	116.4	841.7	760.0	650.0
6.	Ship Building & Dredgers	Nos	3	3	3	NA	NA	NA	6	6
5.	**Fertilisers**									
	(i) Nitrogenous (in terms of N)	Th Tonnes	1324.0	952.0	1640.0	2160.0	910.0	4710.0	3000.0	2500.0
	(ii) Phosphatic (in terms of P_2O_5)	"	421.0	278.0	500.0	670.0	310.0	1480.0	1200.0	900.0
6.	Pesticides (Tech materials)	"	—	24.0	38.0	8.0	33.0	79.0	69.0	65.0
7.	Rock Phosphate & Pyrites	Mill Tonnes	—	0.2	NA	—	—	—	—	1.25
	(i) Agricultural Tractors	Th Nos	33.0	16.5	40.0	36.0	102.0	178.0	68.0	50.0
	(ii) Power Tillers	,,	3.0	0.14	10.0	26.0	41.0	76.0	35.0	25.0
9.	Newsprint	Th Tonnes	75.0	40.0	90.0	60.0	104.0	254.0	165.0	150.0
10.	Iron Ore	M. Tonnes	NA	28.0	NA	NA	NA	NA	—	51.4
11.	Coking Coal	M. Tonnes	NA	18.2	NA	NA	NA	NA	—	25.4
12.	**Petroleum**									
	(i) Oil Exploration & Production of Crude	"	NA	6.8	NA	NA	NA	NA	—	8.5
	(ii) Refinery Products	,,	NA	17.3	NA	NA	NA	NA	23.0	26.0
13.	**Petrochemicals**									
	(i) D.M.T.	Th Tonnes	Nil	Nil	Nil	24.0	Nil	24.0	23.0	20.0
	(ii) Caprolactum	,,	Nil	Nil	Nil	20.0	Nil	20.0	23.0	23.0
	(iii) Acrylenitrile	"	Nil	Nil	Nil	Nil	24.0	24 0	16.0	16.0
	(iv) Synthetic Rubber	"	30.0	30.0	30.0	Nil	Nil	30.0	70.0	70.0
14.	**Electronics Components**									
	(i) Resistance (Fixed & Variable)	M. Nos	76.7	95.3	83.8	47.4	428.5	559.7	600.0	600.0
	(ii) Condensers or capacitors (Fixed & Variable)	"	96.7	91.8	108.5	45.6	581.2	735.3	700.0	700.0
	(iii) Semi-conductors Incl. diodes thick film, thin film and integrated circuits	"	27.0	31.6	35.0	72.5	97.5	205.0	200.0	200.0
	(iv) Transmitting and receiving tubes incl. cathode ray tubes	"	5.0	6.1	5.0	Nil	5.0	10.0	8.0	8.0
	(v) Connectors, switches and relays	"	2.4	2.9	3.0	2.6	Nil	5.6	5.0	5.0
	(vi) Sophisticated Microwave components & antemas	Rs million	NA	NA	NA	NA	NA	NA	50.0	50.0
	(vii) Ferrites & Magnets	Tonnes	150.0	149.7	150.0	Nil	275.0	425.0	1500.0	1500.0
	(viii) Thirmisters & Variators	M Nos	0.8	0.4	2.0	Nil	5.0	7.0	6.0	6.0
	(ix) Textile Testing & Control Equipment	Rs Million	NA	NA	NA	NA	NA	NA	500.0	500.0
	(x) Wireless and Micro-wave Equipment	"	NA	NA	NA	NA	NA	NA	670.0	670.0

*Figures indicate total machine tool production in he organised sector.

(*) Position as on 1.4.1971. NA—Data not available.

TABLE III

Industrial Development in Selected Industries

Sl No	Name of the Industry	Unit	Installed Capacity as on 1-4-71	Production during 1971-72	Installed Capacity as on 1-4-72	Additional capacity covered by capital goods approvals	Additional capacity not yet covered by capital goods approvals	Total capacity licensed, and covered by letters of intent (6+7+8)	Estimated Production 1973-74
1	2	3	4	5	6	7	8	9	10
	ENGINEERING INDUSTRIES								
1.	**Industrial Machinery**								
	(i) Metallurgical & other heavy equipment machinery	Rs Million	85.0	65.4	85.0	Nil	20.0	105.0	75.0
	(ii) Coal & Mining Machinery	,,	300.00	73.5	300.0	Nil	Nil	336.0	20.0
	(iii) Cotton Textile Machinery	..	450.0	351.3	450.0	NA	NA	670.0	(Th. tonnes) 45.0
	(iv) Cement Machinery	..	260.0	32.0	260.0	Nil	Nil	260.0	190.0
	(v) Sugar Machinery	..	210.0	164.0	210.0	Nil	Nil	210.0	210.0
	(vi) Heavy Fabricated Machinery for Fertiliser & Chemicals	,,	34.0	17.8	34.0	216.0	Nil	250.0	20.0
2.	Steel Castings	Th. tonnes	129.0	54.5	137.5	15.2	28.6	181.3	(Th. tonnes)) 225.0
3.	Steel Forgings	,,	147.0	65.7	141.7	Nil	24.9	166.6	220.0
4.	Cranes Excluding Mobile Cranes	,,	37.8	9.7	45.4	2.7	13.5	61.6	32.0
5.	Ball & Roller Bearings	M. Nos	17.2	20.0	20.7	2.0	25.5	48.2	20.0
6.	Heavy Pump & Compressors	Th. Tonnes	NA	NA	NA	NA	NA	NA	5.0
7.	Dumpers-Scrapers	Nos	250	115	325	155	226	706	500
8.	Crawlers Tractors & Wheeled Loaders*	,,	480	359	700	370	400	1470	1200
9.	Seamless Pipes	Th. tonnes	39.6	36.0	39.6	Nil	Nil	39.6	90.0
10.	**Gas Cylinders**								
	LP	Th Nos	350.0	323.7	350.0	NA	NA	NA	30.0
	HP	,,	—	—	—	—	—	—	(Th. tonnes)
11.	Power Driven Pumps. (Organised Sector)	,,	400.0	243.7	471.2	Nil	Nil	471.2	450.0
12.	Diesel Engines (Stationery)	,,	155.0	82.7	155.0	15.0	50.0	220.0	200.0
13.	Commercial Vehicles	,,	62.4	40.6	62.4	—	—	NA	85.0
14.	Motor Cycles, Scooters, Mopeds & Three Wheelers	,,	167.0	135.8	167.3	50.0	—	317.3	220.0
15.	Bicycles (Organised Sector)	,,	2970.0	1800.2	3642.0	Nil	Nil	3642.0	3200.0
16.	Sewing Machines (do)	,,	493.0	314.0	534.0	Nil	3.5	537.5	600.0
17.	Electric Fans (Do)	,,	1816.0	1624.0	2390.0	340.0	475.0	3165.0	3000.0
18.	Dry Batteries	Mill. Nos	479.0	490.0	534.0	536.0	300.0	1375.0	600.0
19.	Storage Batteries	Th Nos	1242.0	1000.0	1293.0	214.0	2594.0	4101.0	1800.0
20.	Radio Receivers (Organised Sector)	,,	2310.0	2024.0	2588.0	430.0	500.0	3518.0	3800.0
21.	**Heavy Electrical Equipment***								
	(i) Turbine Hydro	Mill KW	0.50	NA	0.85	0.83	Nil	1.68	1.65
	(ii) Turbine Thermal	,,	1.5	NA	2.1	1.5	Nil	3.6	1.3
	(iii) Power Boilers	..	1.3	NA	1.3	0.4	Nil	1.7	1.3
22.	Electric Transformers	Mill KVA	11.5	9.1	11.8	Nil	1.5	13.3	11.9
23.	Electric Motors	Mill HP	3.1	2.6	3.3	Nil	0.1	3.4	3.4

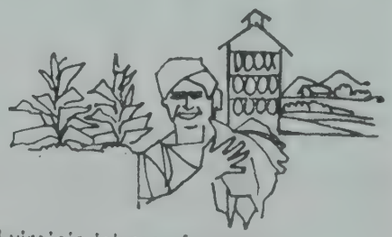
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1	2	3	4	5	6	7	8	9	10
24.	ACSR/AAC Conductors	Th tonnes	103.0	78.2	103.4	Nil	Nil	103.4	125.0
25.	Dry Core Cables	Lakh KM	4000.0	2038.0	4000.0	8780.0	6000.0	1878.0	16000.0
	NON-ENGINEERING INDUSTRIES								
26.	**Heavy Chemicals**								
	(i) Caustic Soda	Th Tonnes	372.1	391.0	395.0	226.1	63.1	684.2	500.0
	(ii) Soda Ash	,,	470.8	479.0	500.0	204.0	1010.5	1714.5	550.0
	(iii) Sulphuric Acid	,,	1920.0	1380.0	1920.0	717.5	580.0	3217.5	2500.0
27.	Paper & Paper Board	,,	767.9	801.0	903.0	228.7	907.3	2039.0	850.0
28.	Cement	Mill tonnes	15.6	14.9	19.1	1.4	2.5	23.5	18.0
29.	Automobile Tyres	Mill Nos	3.8	4.8	4.6	13.0	36.0	53.6	6.0
30.	Bicycle Tyres	,,	21.3	22.7	26.9	10.0	2.1	39.0	35.0
31.	Oxygen Gas*	Mill Cu. Meters	62.0	53.8	74.3	5.0	14.0	93.3	50.0
32.	Dye Stuffs*	Th Tonnes	12.6	13.0	18.0	1.0	19.0	38.0	14.0
33.	**Drugs & Pharmaceuticals**	Mill Rs	—	NA	NA	NA	NA	NA	2500.0
	(i) Penicillin	MM Units	264.0	222.9	314.0	Nil	Nil	314.0	NA
	(ii) Streptomycin	Tonnes	235.0	175.7	315.0	Nil	Nil	315.0	NA
	(iii) Tetracycline	,,	40.0	82.8	150.0	Nil	Nil	150.0	NA
	(iv) Sulpha Drugs	,,	975.0	1006.0	1020.0	Nil	Nil	1020.0	NA
	(v) INH	,,	145.0	60.1	206.0	94.0	Nil	300.0	NA
	(vi) PAS & its Salts	,,	340.0	485.5	600.0	Nil	Nil	600.0	NA
	(vii) Halogenated Oxyquinolines	,,	97.8	96.0	101.8	Nil	Nil	101.8	NA
34.	Glass*	Th tonnes	410.0	260.0	425.0	114.0	132.5	671.5	450.0
35.	Refractories*	,,	1081.0	745.0	1137.0	Nil	Nil	1137.6	1250.0
36.	Soap	,,	217.8	272.2	217.8	Nil	Nil	217.8	250.0
37.	Leather Footwear	Mill Pairs	23.3	16.0	23.3@	NA	NA	NA	25.0
38.	Paints & Varnishes	Th Tonnes	98.0	69.1	114.3	11.0	7.0	99.0	140.0
39.	**Petrochemicals & Plastics**								
	(i) PVC	Th Tonnes	50.0	42.3	43.7	Nil	23.5	67.2	90.0
	(ii) Polythelene	,,	39.1	51.0	42.0	Nil	40.5	82.2	90.0
	(iii) Polystyrene	,,	17.5	9.0	17.5	Nil	10.0	27.5	30.0
	(iv) Polypropylene	,,	Nil	Nil	Nil	Nil	7.0	7.0	15.0
40.	Viscose Filament Yarn	,,	38.5	37.8	37.7	Nil	9.2	46.9	64.0
41.	Viscose Staple Fibre	,,	72.0	61.3	72.0	Nil	14.0	86.0	90.0
42.	Nylon Filament Yarn	,,	8.0	10.5	9.4	5.5	36.3	51.2	29.0
43.	Nylon Tyre Cord	,,	1.5	0.6	2.4	4.2	Nil	6.6	
44.	Polyster Filament Yarn	,,	0.7	0.5	0.7	Nil	0.7	1.4	22.0
45.	Polyster Staple Fibres	,,	Nil	Nil	Nil	Nil	Nil	Nil	Nil
46.	Acrylic Fibre	,,	Nil	Nil	Nil	Nil	19.5	19.5	12.0
47.	Cotton Yarn	Mlli Kg.	NA	881.0	NA	NA	NA	NA	1150.8
48.	Coton Cloth (Mill Sector)	Mill Mtrs	NA	3857.0	NA	NA	NA	NA	5100.0
49.	Jute Manufactures	Th Tonnes	NA	1083.0	NA	NA	NA	NA	1400.0
50.	Woollen Cloth	Mill Mtrs	NA	14.3	NA	NA	NA	NA	20.0
51.	Sugar	Th tonnes	NA	3718.0	NA	NA	NA	NA	4700.0
52.	Vansapati	,,	NA	593.0	114.8	NA	NA	NA	625.0

*Position as on 1.4.1971. (NA) Data not available. (@) Western Type.

NOTE: Production figures for 1971 are for most of the items and not for 1971-72.

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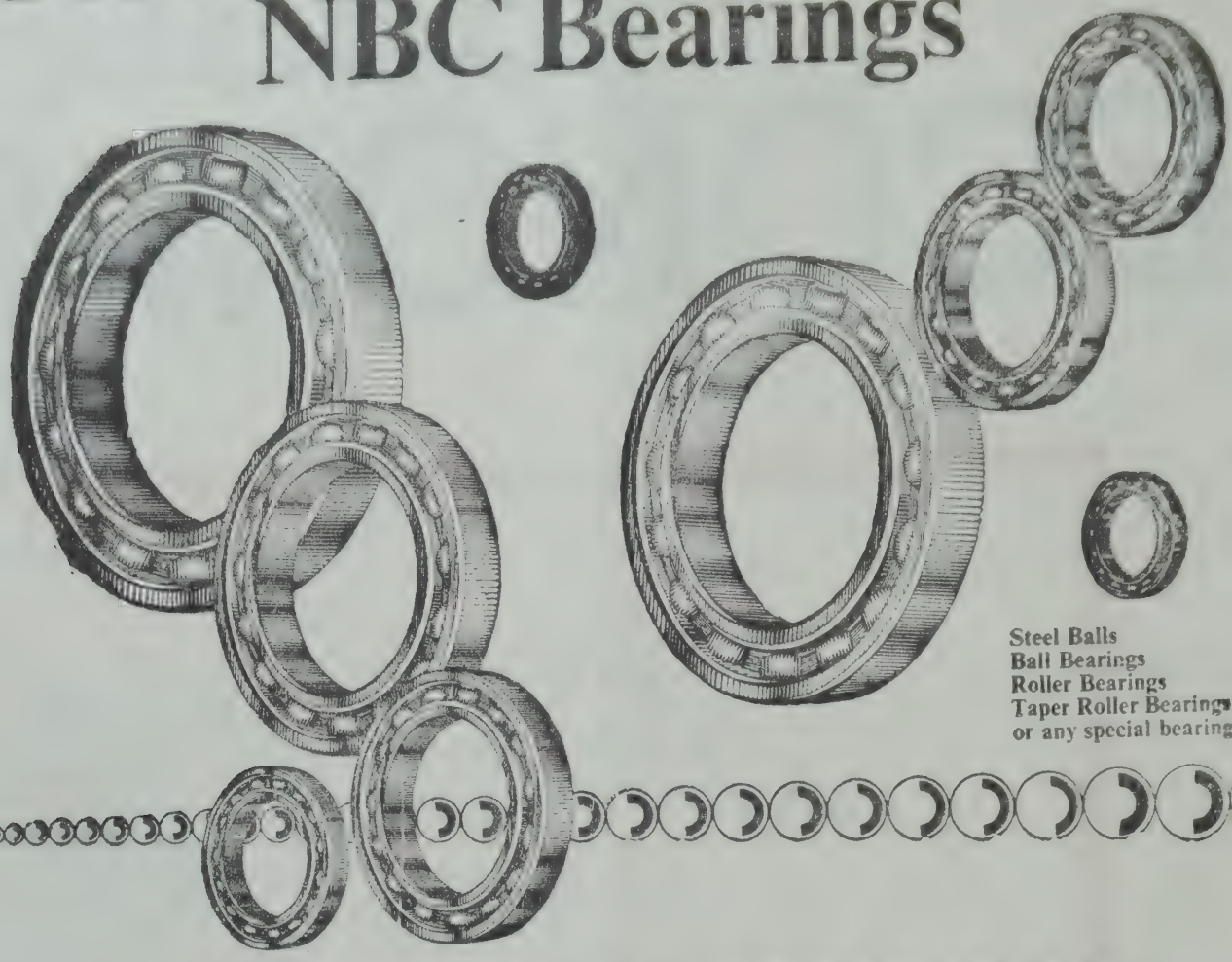
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The poor, dead or alive

DESPITE THE substantial improvement in the nation's mortality experience or the increase in its average expectation of life, men and women do continue to die in this country as in the rest of the world. The poor, naturally, die in larger numbers than those who are not so poor and, at any given time, among the poor people who may be dying, a great many die (when they need not) simply because they have never had enough to eat in their lives. All this is tragic and a collective national crime, but gross, indeed, is the particular criminal responsibility of those politicians who would make political capital out of the poor, whether dead or alive.

Last week, in the Lok Sabha, there was an unseemly debate over whether people had died or were dying of starvation anywhere in the country. It would be easier to believe in the concern or compassion of the politicians who have sent up the cry of "starvation deaths" had it not been for our experience that every time this country had run into food difficulties, their tribe had promptly professed to have had nightmares of famine stalking the land under skies gone grey with crowding vultures.

It is high time, surely, that our politicians had got over the habit of attempting to bury their sense of responsibility in a slush of ersatz sentimentality. It is when things go wrong, whether in our political life or in our economic affairs, that the public has a special right to expect of political parties and their leaders to rise above the petty temptations of partisan politics to a truly national stature. That there are, in our country, numerous pockets of subsistence living or even more precarious livelihood which are peculiarly vulnerable to any adverse swing in the nation's food or farming fortunes is true enough. It is truer still that the state governments and more so their district-level administrations are, in many cases, outrageously ill-equipped or even insufficiently motivated to rush to the rescue or relief of distress in the countryside. This means that in any emergency, in food or other respects, many village communities are condemned to live in perpetual danger of finding themselves isolated from effective access to assistance from district or state and, therefore, national sources. New Delhi sins enough in all conscience. It need not therefore be made a scapegoat for the sinning that may go on in Patna or elsewhere.

The plain fact is that, while the country's food supply has certainly suffered due to loss in kharif crops, it is not yet in the midst of a food crisis and it need never be in one unless the politicians are determined to talk it into that situation. It cannot be ignored, after all, that this year had started with the largest grain reserve of government-controlled stocks. These have since been heavily drawn down, of course, but to that extent they have helped to augment and supplement the flow of grain into the cooking pots of the people. Reserves, it must be clearly understood, are there only to be used in times of need.

Meanwhile official procurement of kharif grains is reported to be progressing at a satisfactory rate. There is, therefore, no compelling reason for the community or, even those sections of it which are dependent on government distribution, to fear that the larder will run out any time. Again, even as the kharif harvest is yielding its bounty, however diminished, its rabi successor is not far away. Not only that. The next crop may make good at least part of the loss in the last one. Finally, in a real emergency, the country could always import food for its bare needs.

The issue, therefore, is one of proper food management and this issue has to be faced at every level—centre, state and down to local administration. Debates in the Lok Sabha will do no good to this cause if they only serve to beat down to the ground a minister who is only too easily demoralised or a ministry which is never known to function well when the heat is on. Seeing that the government is so lavish in the opportunities it gives to the opposition for criticising its management of the economy, the latter may well afford not to try to squeeze the last drop of debating point out of the food issue. Above all, the politicians should not pursue the poor even beyond the grave.

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Banks to the rescue

THE WAYS and means position of the central government was never so uncomfortable in the recent past as in the latter half of this year. On account of the adjustments relating to the unauthorised overdrafts of the state governments from the Reserve Bank of India in April this year, the centre took over a large liability on its own account. The efforts to minimise the quantum of deficit financing incurred in 1971-72 through periodic cancellations of *ad hoc* securities could not be carried out logically as the prolongation of the talks with Pakistan for bringing about a withdrawal of troops from the international frontiers, after delineating the line of control in Kashmir, and the heavy expenditure incurred in connection with relief operations in drought and flood affected areas and the large assistance to the state governments, in connection with the crash programme, for raising food output in the rabi season, upset all earlier calculations. In spite of fairly brisk collections of tax revenues, large receipts under the small savings campaign and record open market borrowing, the deposits of the central government have been barely around Rs 50 crores in the past few weeks.

This is a clear indication that the level of expenditure of the central government is running at an unprecedentedly high rate and liberal assistance is also being given to the states. It is therefore being speculated what would have happened if the centre had not been in a position to borrow heavily through open market loans. The terms of two new loans, in the third tranche of the borrowing programme for the current year made an attempt to secure funds worth Rs 110 crores on a slightly cheaper basis. The Reserve Bank had to issue two new loans because huge amounts had already been raised in two stages with the issue of three loans. The latest loans are the 5%—1984 loan at a discount of ½ per cent and the 5¼%—1988 loan at a similar discount. The Life Insurance Corporation, the scheduled commercial banks, provident funds and trusts have no difficulty in putting up the required amount in spite of the fact that the loans were issued during the busy season; if there were issues of Defence Bonds on the last occasion also in December, it was because of the emergency.

The aggregate gross borrowing for 1972-73 has turned out to be Rs 760 crores including the funding operation relating to the 4½ per cent 1972 loan which fell due for repayment on November 10, 1972 and was outstanding to the extent of Rs 28.22 crores. The government took the unusual step of offering to extend the period of maturity to the holders of this loan by five years and increasing also the rate of interest by 3¼ per cent to five per cent. This in effect meant the issue of a short-dated loan for five years at par when three weeks later an 11-year loan was offered at the same interest though at a slight discount of half per cent in the issue price. It would have been far more advantageous if the Reserve Bank had timed the floatation of the two new loans earlier and offered also conversion terms to the holders of the 4¼ per cent 1972 loan.

In July this year three new loans, 4¾ per cent 1979, 5 per cent 1983, and 5¾ per cent 2002 were offered for netting in an amount of Rs 350 crores. As the loans were oversubscribed a gross amount of Rs 386 crores was mobilished. In September the three loans were again reissued for a notified amount of Rs 210 crores. Only cash subscriptions were invited in the second tranche as in July conversion terms had to be offered for two maturing loans. The amount subscribed in the second stage was Rs 237 crores. The funding operation referred to above, in respect of the 4¼ per cent 1972 loan involved an amount of Rs 28 crores and this may be called technically the third stage of borrowing for 1972-73. The two new loans in the "fourth" tranche have been helpful in mobilihing Rs 110 crores, taking the total of gross borrowing to Rs 760 crores against the budget estimate of Rs 515 crores. As there were maturing loans for Rs 300 crores the net amount borrowed is an all time record of Rs 460 crores against the budget estimate of Rs 215 crores.

It is noteworthy, however, that the heavy diversion of funds through open market loans to the central exchequer, larger borrowing by the state governments and the issues of bonds for bigger amounts by the state electricity boards and the financial corporations have not created any stringency in the money market. In fact, the banking system, the Life Insurance Corporation and other institutional investors have welcomed the opportunity to invest on a large scale in government securites and bonds because of the lack of suitable avenues for investing surplus resources. It it interesting to note that the increase in investments of the scheduled commercial banks alone during the current year upto November 17, 1972 has been of the order of Rs 550 crores while the centre had borrowed a net amount of only Rs 351 crores without taking into account the proceeds from the two new loans. As the state governments also gathered Rs 131 crores in the first week of September and the Life Insurance Corporation and provident funds and trusts too lent their support to the different loans, it became necessary for the central banking institution to effect net open market sales of terminable loans and also issue treasury bills for absorbing the remaining surplus resources of banks.

The position of scheduled commercial banks has not become stringent even with heavy investments and it may be possible to invest additionally Rs 75 crores in January-March next year. This is indeed a strange development as over 60 per cent of fresh additions to deposits have to be compulsorily disposed of in government securities and bonds even after maintaining cash balances to the extent of 10 per cent of aggregate deposits. The balance of 30 per cent only is being used for expanding credit to different classes of borrowers. This is not exactly a happy state of affairs as the availability of funds for financing industrial and agricultural production to a greater extent than now will be more productive than helping the government to finance non-Plan expenditure. Because of the slow pick-up in industrial production and the cautious policy adopted when extending loans to new borrowers the growth in advances has not been on the desired scale. The profitability of working of banks has also been affected in the process.

The situation in the money market has been rendered more easy in the past few months because of heavy sales of foodgrains effected by the Food Corporation for overcoming the adverse effect of a sharp decline in the output of foodgrains in the kharif season. The large sales have however imposed a strain on the budgtary position of the central government as additional releases of about four million tonnes of foodgrains may well result in an increase in the food subsidies by Rs 80 crores. This may be higher at Rs 100 crores if the net reduction in buffer stocks is over five million tonnes. The Finance Minister has been obliged to present already supplementary demands to Parliament for Rs 310 crores out of which Rs 150 crores related to the crash programme for boosting food production in the rabi season, Rs 40 crores as short-term loans for purchase of fertilisers and Rs 60 crores as additional assistance for relief operations. The balance of Rs 60 crores was mostly on capital account.

With the likelihood of a further increase in expenditure in the coming months and the outgo on account of interim relief to

government employees, it is quite likely that there will be a rise in non-Plan expenditure alone by over Rs 450 crores in the whole year. Assuming that buoyancy in tax revenues and additional collections under the small savings campaign will take care of Rs 200 crores of additional expenditure there will be a gap of Rs 250 crores which will have to be bridged by increased net borrowing through open market loans. As the government has already exceeded the budget estimates in respect of net borrowing by Rs 235 crores and another Rs 65 crores can also be gathered there should technically be a net reduction in the quantum of deficit financing contemplated in the budget estimates especially as there may be a shortfall in Plan outlay in other directions. It remains to be seen what exactly will be the shape of the revised budget estimates for 1972-73 when they are presented to Parliament in February next. However one shudders to think what would have happened if the government had not the facility to borrow on a massive scale by taking advantage of the excessive liquidity of the banking system.

Indo-German co-operation

THE INDO-German Chamber of Commerce which has tried to promote economic co-operation between India and the Federal Republic of Germany during the past 16 years, instituted its Northern Regional Council in the capital on November 27 with Escorts' Mr H.P. Nanda as its chairman. The chamber has maintained an office in New Delhi for many years past but the establishment of the regional council in association with leading industrialists of the northern zone is expected to give a fillip to trade and collaboration between the two countries.

The chamber performs a useful function in providing information in relation to market trends and regulations regarding imports in West Germany and all kinds of details and data required by intending exporters from this country. It brings together Indian and West German companies which are interested in industrial collaboration. The West German collaborator is assisted by the chamber in arriving at a decision after taking into account taxation laws in this country, rules and regulations regarding such ventures and the policies of the government of India governing them. Till the middle of the current year, no less than 553 Indian companies had entered into collaboration agreements with West German companies. The Federal Republic of Germany enjoyed the third rank in this reckoning, the first and second positions having been scored by the UK and the USA with 918 and 642 collaborations respectively. Not all the collaborations approved by the government of India have fructified but their large number does indicate willingness of the West German companies to collaborate with Indian companies in the larger aim of speedy industrialisation of this country for mutual benefit.

The number of collaborations between India and West Germany attained an all-time peak at 68 in 1964 but dropped to 44 and 41 in 1965 and 1966 respectively. In the following four years i.e. between 1967 and 1970, there was a sharp decline in the number of collaborations which ranged between 22 and 28. Again in 1971, there was a spurt to 42 and during the current year also, almost the same level is likely to be attained. The result of all these collaborations has been that West German private investment in this country rose to DM 180 million (about Rs 360 million) as on June 30, 1972. During the past two years, there has been a slowdown in the inflow of West German private investment for various reasons, the most important being the proposed Foreign Exchange Regulation Bill which, according to Mr D. Laengenfelder (President, Indo-German Chamber of Commerce) "has caused a certain degree of concern in circles of those German companies which have already made investments in India or intend to do so".

The two chief objectives of the Foreign Exchange Regulation Bill are to plug leakages of foreign exchange through malpractices and to review the annual remittances of companies having 40 per cent or more foreign shareholding. In view of the not very bright situation in regard to aid from abroad, this country has no option but to take such measures as would help it in reducing the outflow of foreign exchange as far as possible. Certainly, it is not the intention of the government of India to hurt further co-operation of this country with others including the Federal Republic of Germany. Perhaps it is not widely known that at present remittances of profits are freely allowed. Besides reducing the impact of malpractices on foreign exchange resources, ways and means are to be found for encouraging foreign shareholders to plough back their profits in this country instead of taking them out of the country. No one need object to it if such a measure is adopted for the short-term. In the long-run, however, the foreign investor would be interested in taking out his profit for investment anywhere in the world. That is why it is essential that the proposed bill should ensure continued interest of the foreign collaborators in furthering the process of industrialisation and growth of our economy.

Recently the Indo-German Chamber of Commerce conducted a survey of the Indo-West German collaborations in order to "create a correct image of German private direct investment in de-

Eastern Economist 25 Years Ago

DECEMBER 12, 1947

The Government of India has drawn the outline of progressive decontrol. The picture itself will have to be filled in by the governments of the units. The Government of India themselves realise that since existing controls, their nature and their intensity differ widely from area to area, the implementation of the revised food policy will take widely different forms. Some units have their special problems—some are normally surplus, while others are normally deficit. In Madras, the provincial overall deficit is not evenly spread and some districts are substantially surplus while others are sharply deficit; the States of Travancore and Cochin do not produce more than a small portion of their requirements; the rabi-growing areas will not have their main crop until April-May 1946; Bombay and West Bengal have large industrial population to look after; East Punjab is faced with the problem of refugees, etc. Local schemes of implementation have, therefore, to provide for these special features. The full picture of progressive decontrol will be revealed only after the units have declared—they have been asked to do so on the 10th December—what the implementation of the revised policy would mean in their own areas.

veloping countries, by showing the business situation in India as well as the difficulties of the Indo-German Joint ventures". Nearly 300 Indo-West German collaborations can be described as working collaborations. The chamber received 67 replies which were deemed as suitable for analysis. No less than 71 per cent of the sample studies consisted of collaborations involving a share in the capital; the remaining 29 per cent were either technical agreements or licences to manufacture industrial products. The collaborative ventures having majority participation were in a minority, their share being 27 per cent only. The ventures with capital participation ranging between 25 and 50 per cent were 52 per cent of the total. As many as 21 per cent had capital participation of less than 25 per cent.

What was of interest was that not every venture had turned out to be profitable. Only two thirds of such collaborations made profits. Nearly 42 per cent of them made profits after three or more years of operation. The average net profit was around 12 per cent per annum.

Also, not all the West German collaborators were satisfied with their experience in this country. To the question whether the investor would take the same step again (meaning enter into collaboration with an Indian company), 35 per cent gave a negative answer while 20 per cent gave conditional answers. A number of negative factors were cited which hindered the promotion of collaborators, the important ones being: (1) difficulties to cover the import requirements of maintenance goods because of the unfavourable foreign exchange position, (2) bureaucracy of the Indian government authorities, (3) delay in the remittance of dividends and royalties, (4) government control over or interference with private enterprises, and (5) heavy taxation.

The survey also revealed that the collaborators had tended to neglect research and development (R & D) in this country. As many as 84 per cent of the sampled units did not spend anything in this country on R & D. Only six per cent have taken some initial steps in this regard while the remaining six per cent considered the R & D efforts made in the Federal Republic of Germany as being of benefit to the Indian establishment.

A disturbing element in Indo-West German trade has been the yawning gap between this country's imports and exports from West Germany for the last two decades. Despite our best efforts and the asistance provided by West Germany, we have failed to bridge this gap. In 1970-71, the excess of exports over imports was Rs 74.57 crores which rose further to Rs 86.80 crores in 1971-72. And there does not seem to be any possibility of this unfavourable balance being reduced in the near future.

It is interesting to note that continuous rise in the Gross National Product of the Federal Republic of Germany during the past 20 years has necessitated a steady increase in its imports year after year but it has not resulted in increasing our share. On the other hand, this country's share in West German imports has been steadily dropping. At one time, it was thought that a reduction in tariff barriers under the Generalised Preference Scheme would assist us in increasing our exports to West Germany. The European Economic Community of which West Germany is an important partner decided as long ago as in March 1969 to grant tariff preferences on manufactured and semi-manufactured goods exported by developing countries as a general rule but our country has still to experience its favourable effects.

Again, in 1966, the Vollarth Plan was drawn up by the West German government to help this country in increasing its exports of manufactured goods to West Germany. Mr. H. Vollarth of the Association of German Machinery Manufacturers was specially deputed to work out this plan for accelerating exports to West Germany from this country. He came to the conclusion that it was necessary "to advise Indian exporters in a strictly unbiased manner by giving practical training to Indian export personnel and by acquainting the same with European market conditions in a realistic and thorough way". The Vollarth Plan did show some promise in the initial stages but after six years it is now clear that even this ambitious scheme has had limited impact on exports.

In the last analysis, it is Indian industry which has to organise its exports to West Germany in an efficient manner. The lessons of the Vollarth Plan, combined with the facilities offered by the generalised scheme of preferences and the determination of exporters to snatch a larger share in the West German market, may bring about some hopeful results. The formation of the Northern Regional Council of the chamber is likely to provide increased opportunities to industrialists of this area to analyse the factors which have hindered the expansion in exports to West Germany from this part of the country.

RECORDS AND STATISTICS

Editor : R. V. MURTHY

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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R. V. Murthy

SELDOM DOES one come across instances of prompt agreement between users of a given commodity or service and those that provide them. Even fewer are cases of agreement between them on the precise problems confronting them, as also on how to solve these problems satisfactorily. One such rare occurrence.—and it is, therefore, noteworthy—took place at the Seminar on Consultancy Services in India organised, the other day, by the Industrial Credit and Investment Corporation of India Limited (ICICI). Incidentally, this is the fifth in a series of conferences the ICICI has so far held to evoke interest and stimulate efforts in this and allied areas on the part of several industries which are being aided by it, as well as by other financial institutions. The seminar was a great success, indeed, viewed from any angle—representation, preparation, participation or outcome. Not only was there a large number of representatives from consultancy firms but also from industry, banks and financial institutions, including the World Bank and KfW (*Kreditanstalt fur Wiederaufbau*) of West Germany, the Planning Commission and the concerned government departments.

comprehensive stock-taking

The seminar turned out to be a comprehensive stock-taking of the origin, growth, achievements, limitations, scope and organisation of consultancy services designed, as it were, to extract the maximum efficiency out of these services for the greatest benefit of the country's economy, and there was a frank and useful exchange of ideas among the participants at the three sessions of five different panels spread over a day and a half. The immediate outcome accordingly was a positive assurance from Mr M.S. Pathak, member, Planning Commission, that the government of India would soon constitute an expert panel to examine the issue of a statutory or a voluntary organisation of consultants, on the imperative need of which there was complete consensus at the seminar. Mr Y. B. Chavan, union Finance Minister, who inaugurated the seminar, also was all out for greater reliance on indigenous consultancy services for obvious reasons. In the first place, concerned about the balance of payments position, as he must be, he favoured greater reliance not only on indigenous technology but on indigenous consultancy services as well. In the evolution of what he termed "intermediate technology" more suited to factor endowments of our economy, he felt, indigenous consultancy services, with facilities for project planning, process design, engineering and commissioning of projects, had a major role to play. And he had even ambitions that such technology, when developed, could form a secure basis for mutually beneficial economic co-operation between India and other developing countries. He was also thinking of the great usefulness of indigenous consultancy services in reducing the handicaps faced by young and new entrepreneurs. Many handicaps of these, who mostly comprise the small-scale firms, arise, as he said, on account of their inadequate access to available stock of knowledge—"management illiteracy". This as well as the compliment he paid to independent consultants who have proved their worth internationally must have gladdened many hearts.

consultation services

Financial institutions generally and the ICICI in particular also have good reasons to recognise the role of consultation services. They are interested in the sound and healthy growth of these services, because "consultants provide the catalytic element in the development process" as Mr G.L. Mehta, former chairman of the ICICI, said when he proposed the vote of thanks. Financial institutions need not only the traditional service of independent assessment and advice of consultants but also their help in identifying developmental opportunities. But, as Mr Mehta and several participants in the seminar also remarked, consultants have an even more important role to play in helping the small sector and in developing a technology suitable to our resource endowment. In this process, what is needed, according to Mr Mehta, is "*adaptation*, rather than *adoption*, of western technology".

Although, over the past decade, the consulting profession in this country has made fairly rapid progress and it is believed there are about 200 or more consultancy firms covering industry and other fields throughout the country, the exact number is anybody's guess in the absence of a census of these services, a handicap that the organisers of the seminar must have felt acutely. Also the growth of the profession, both functionally and regionally, appears to have been haphazard. Qualitatively too—and quality has become particularly important today since self-reliance has come to be the country's avowed goal—there seems to be a wide disparity even among the more well-known firms.

functional specialisation

Further, inasmuch as most firms claim to provide a full range of services, the need has arisen for functional specialisation, whatever may be said in favour of the need for better utilisation of scarce technical skills in a poor country such as ours. It is because of this need doubtless that the seminar focussed its attention primarily on the organisational specialisation required by consultants in various fields. Because of the advances made in the country in various fields and the complexities of the problems involved, the participants felt that the consultants should organise themselves in technical and managment fields. In the former, according to the discussions at the seminar, it was thought specialisation should be on the basis of industry. This is as it should be, inasmuch as each industry requires different process knowhow and types of service. As regards the latter field it was felt that specialisation could be on the broad functional areas of management, *e.g.* marketing, finance, personnel, production, etc. An interesting observation regarding functional specialisation was that specialised services need not be equated with quality, because quality would depend on the capability of the consultancy firm and the techniques it might be endowed with. And the deployment of these, again, would be determined by the manpower or other inputs available with a given consultancy firm.

The discussion on capabilities and professional standards of consultancy firms laid bare the handicaps experienced both by these firms and those requiring their services. For one thing, there is no directory of consultants; secondly, very little is known about the services provided by them, and much less still about their

standards. The concerned panel did well, therefore, in not only stressing the need for compiling a directory to make known the names of and services provided by, all the practising consultants, but also in emphasising the desirability of laying down a minimum level of standards for consultants.

Much seems to be expected of the consultants in regard to the development of small-scale industries and backward regions, the planning slant these days being more on them. If the services of consultants are not adequately utilised by small industries, it is largely because of "management illiteracy", to quote Mr G.B. Newalkar, Chairman of the Maharashtra Small Industries Development Corporation. Mr Newalkar was, therefore, for an adequate organisation of consultancy services specifically for the purpose of developing the small-scale sector. There was a feeling in the minds of some consultants that provision of consultancy services to small industries and backward regions would create an undue strain on the managerial resources and personnel of consultants owing to the dispersed nature of these industries and regions.

fluctuating business

Another difficulty of the consultancy profession seems to be the fluctuations in the volume of their business. They too have their lean periods, it seems. For their part, all small industries do not have sufficient resources to employ consultants. It is just as well, therefore, that a few practical suggestions were made at the seminar to meet the situation. One of these was that financial assistance and incentives should be provided to consultants, especially those serving small industries and backward regions. Another was that consultancy services in respect of these should be provided on a consoltium basis, the financial institutions also sharing the cost. One particularly pragmatic suggestion was made by Dr H. Ezekiel of Tata Economic Consultancy Services, who said that the cost of consultancy for the small industry could be reduced if common problems faced by small industry were presented by smaller industrial firms through financial institutions and the Small Industry Service Institute. The panels on "Promotion of Small Scale Industry and Backward Regions" particularly mentioned that tax incentives as well as liberal assistance and intermediation of finance institutions would make the association between the consultants and the small-scale industries more fruitful.

tall claims

After so many tall claims made by the State Bank of India, the nationalised banks, the Industrial Development Bank of India, and others about a series of detailed surveys of backward regions, it was rather intriguing that there was a reference in the course of panel discussions to the feeling that seems to prevail still that financial institutions need to carry out more detailed surveys of backward regions. It was, in fact, pointedly urged that financial institutions should encourage techno-economic surveys of backward regions in order to identify development potential for small-scale industries.

The seminar strongly felt and also stressed the need for forming an all-India body of management and technical consultants to frame a code of conduct and to do self-policing so as to build up its own standard of ethics.

gratifying feature

One especially gratifying feature of the seminar was the absence of any conflict between the public and the private sectors in the matter of utilisation of the services of consultancy firms. Indeed, Mr L.C. Jain of Industrial Development Services stated that, for the growth of the consultancy profession, the distinction between the two sectors was immaterial because the need for services was high and both could co-ordinate and reinforce each other.

Finally, there must be a word of praise to the ICICI for having organised this seminar and, more particularly, for having brought out an excellent background paper for the use of the participants. Mr H.T. Parekh, the ICICI chairman, and his colleagues may justly consider their labour in this behalf well rewarded, particularly so after listening to the remark of Mr J. Chanmugam, who represented the World Bank group at the seminar. He said that the seminar had come to certain useful conclusions which were of relevance not only to India but to the developing countries in general.

Bring foreign companies into line

N. Chainani

TWENTYFIVE YEARS after the attainment of Independence the average urbanised Indian cannot buy anything—literally anything—for which some money from the Indian economy does not flow to a foreign country. For he cannot buy a consumer product in which the leading brand name or names are not international. Tyres or typewriters, tractors or tea, soaps or shoes or soft drinks, biscuits or bicycles or a hundred other things, are all dominated by international brand names and the giant manufacturing and marketing corporations that have so successfully, so efficiently and over so many years spread their operations all over the globe.

It is true that there are rigid controls placed on all foreign money transactions and that its outflow is sought to be restricted to the maximum possible extent. The paradox of the situation, however, is that, despite what government believes are effective controls, the remittances abroad of foreign controlled companies operating in India go all but unchecked.

Let us see some of the numerous devices employed to maximise foreign remittances out of India in a "legal" and unhampered way. First of all, the Indian set-up of the foreign company is either by designation a branch, or in the alternative a subsidiary or a controlled company; the head office or fountain-head—like the plenipotentiary of the famous joke—lies abroad for the good of its country. And that "good" amounts to raking in money in foreign exchange from the "branch" or subsidiary or controlled company

based in the host country by way of contributions to the "administrative expenses" of the head office abroad. This sum, again is on an entirely arbitrary basis. One would think that, if anything, head office should account for and pay the administrative expenses of branch offices; or that both should meet such day-to-day expenses out of their respective earnings.

Secondly, of the many avenues sought to enlarge remittances to principals abroad, the stock one universally used comes under the heading "remittance of technical knowhow fees and royalties". The reader can decide for himself how justified this item is at the present advanced stage of Indian technological development. In rare instances, such payments may be justified but, by and large, this avenue for exchange remittances is grossly abused by foreign companies to spirit away tax-free profits.

Thirdly, foreign companies who wish to avoid officially showing huge remittance figures, are increasingly entering export lines which have no connection with their manufacturing activities. Huge sums are thus repatriated indirectly to interconnected companies abroad by invoice price manipulation. You will search far and wide to find a connection between manufacture of soft drinks and export of cashew-nuts, or manufacture of batteries and export of seafood.

bonus share issues

Fourthly, and this is perhaps the only one that can stand under scrutiny, money in foreign exchange is remitted out of India under the head of "profit repatriation to foreign shareholding companies". Generally, government sees to it that foreign companies have minority equity participation. But the loopholes to be looked into and plugged centre around siphoning off more than the actual dividend amount through, for example, bonus share issues and such practices. Or consider this brilliant coup that the smarter foreign houses have accomplished: the capitalisation of trade marks and goodwill. There was the case of a foreign cigarette company; it got away to the tune of Rs 4 9 crores with this highly ingenious method. In 1971 alone this company repatriated Rs 69 lakhs as dividends on this socalled "capitalized" equity.

Further examples too are not lacking: the boot polish manufacturer who capitalized Rs 52 lakhs against trade marks, the pharmaceutical company that turned Rs 1.5 crores on that account. Thus our exchange has been wasted on an alien and not an indigenous property—a brand name that has no intrinsic value for India's economy in the '70 and from which the country derives no long-term benefit whatsoever.

The rules governing a company's diversification are presently grossly abused by certain foreign companies. The spirit of the rule is that a foreign company engaged in and licensed for a priority industry, say pharmaceuticals, is not permitted to diversify into non-essential luxury products such as, say, confectionery. But this rule acts as no deterent to a certain foreign pharmaceutical company. Using foreign brand names it has found it easy to totally monopolise the chewing gum trade—and this at a time when the indigenous sector of the confectionery industry is idling to the extent of 60 per cent of its capacity.

subcontracting business

Take a second example of evasion, in spirit, if not in letter, of government licensing policies: there is a limit on licenced production capacity. This is evaded simply by sub-contracting production to others' manufacturing units and continuing to sell under the same lucrative foreign brand name. Thus huge profits are assured, which in turn enable greater repatriation of funds in foreign exchange.

The very catergorisation, "foreign company" is riddled with loopholes. The Ministry of Industrial Development presently defines as "foreign" a company with over 50 per cent equity held outside India. Yet if such a company has exactly 50 per cent foreign equity, but 100 per cent preference holding abroad, it can still call itself an Indian company. In the result such a company is free to indulge in any profit-making activity and is able to repatriate unreasonably large sums abroad.

Nor is the catalogue of capitalising on loopholes yet over. There are quite a few foreign companies which go to the extent of marketing the products of other manufacturers under their own foreign brand name by buying up the entire output of Indian factories. There is, for instance, a foreign pharmaceutical firm which sells tonics and mentholated lozenges, made by an Indian manufacturer, under foreign trade names. A foreign petrochemical company is in the market with a foreign brand name razor blade which is manufactured by an Indian company.

Unreasonable disversification, overproduction, the definition of "foreign company", the marketing of products not manufactured by the foreign company, these are the areas government has to probe and come up with strict, water-tight regulations and procedures. As it is, 'curbs on diversification, overproduction, "Indianisation", profit repatriation have been taken more in the spirit of challenges to the ingenuity of foreign company managements and their legal wizards.

plugging malpractices

Government has introduced the Foreign Exchange Regulations Bill, 1972. The bill attempts to curb malpractices of foreign companies whereby they buy up the entire output of Indian manufacturers and market it under foreign brand names —thereby ranking in huge trading profits which are ultimately spirited out of India by way of royalties, technical service fees, head office expenses, etc. apart from conventional profit repatriation. Through the use of this tactics the foreign companies completely evade industrial licensing regulations since this type of "trading activity" does not fall within the purview of industrial licensing. This tactics, is further used to evade licensed capacity ceilings in case the foreign company is licensed for a specific amount of production. Therefore, this malpractice is attempted to be curbed by section 26 of the bill, which purports to do the following:

Restrict "a person resident outside India or a person who is not a national of India but is resident in India, or a company (other than a banking company) which is not incorporated under any law in force in India or in which the non-resident interest is 40 per cent, or more or any branch of such company, from accepting appointment, as—

(a) agent in India of any person or company in the trading or commercial transactions of such persons or company, or

(b) technical or management adviser in India of any person or company".

The bill goes on to explain "agent" as including "any person or company (including its branch) who or which buys any goods with a view to sell such goods before any processing thereof." "Processing" is defined as "any art or process for producing, preparing or making an article by subjecting any material

to a manual, mechanical, chemical or any other like operation".

Superficially, it seems that the "trading activity" as outlined above will be effectively curbed. *Not by a long chalk.* Take a concrete example—suppose a foreign controlled petrochemical company is currently purchasing razor blades from an Indian manufacturer and selling it under a foreign brand name. The foreign company *will continue operating as before* but will do a superfluous packaging job in its own factory thus claiming that it is processing the material before resale and is therefore not an "agent". Clearly, the term "processing" needs to be better defined to pre-empt circumvention. The defintion of "processing" should be extended to say that "for this purpose, processing shall not include packaging, branding, labelling or any other such superfluous operations".

circumventing operations

Another course of circumvention open is as follows: The foreign company instructs the Indian manufacturer to sell the razor blades directly to the trade under the former's foreign brand name at the same exorbitant prices. The foreign company is now not in the picture at all —it merely collects a fat sum of royalty from the Indian manufacturer. The foreign company may use still another device to rake in profits—it enters into an agreemant with the Indian blade manufacturer in which the latter has to buy a socalled "proprietary material" from the foreign company at a ridiculously high price—this "proprietary material" may be insignificant as far as the product is concerned. These two devices are not at all new—they are already employed by some foreign companies. For instance, a foreign pharmaceutical company has effectively used both the tactics to make a back-door entry into the biscuit industry. The pharmaceutical company lends its prestigeous foreign brand name to the biscuit manufacturer who in turn makes biscuits under that name and sells directly to the trade. The foreign pharmaceutical company racks in huge profits by way of royalties—as well as a sale of "proprietary materials" to the biscuit manufacturer. Section 26(1) of the bill will not even touch such cases.

If this type of contraventions of industrial licensing regulations is to be effectively curbed in the interests of stopping unnecessary drain of foreign exchange, then section 26 of the Foreign Exchange Regulations Bill should be further expanded to incorporate that a foreign controlled company (as defined in Section 26(1) "shall not grant licence or enter into an agreement with any person or company in India to allow such person or company to manufacture and sell articles under a foreign trademark or brand name. Foreign trademark or brand name for this purpose means a trademark or brand name owned wholly or partly by any of the persons or companies or branches mentioned in 26(1)".

Apart from the strengthening of section 26 of the Foreign Exchange Regulations Bill, 1972, as suggested above, the following further effectively enforceable steps, in specific area of foreign company operations, are also called for:

(i) *The need for re-defining the term "foreign company"* : The Foreign Exchange Regulation Bill, 1972 has re-defined "foreign company" as any company with 40 per cent or more non-resident interest. But something more is needed—this new definition should now also be adopted for purposes of industrial licensing.

(ii) *Controlling the avenues for circumventing over-production* : Foreign companies, particularly in the consumer products field, possessing a specific licence should be restricted to pegging down their production to the level of their respective licensed capacities. A very important point that government should bear in mind is that not only should licensed capacities of foreign companies be never increased, but whenever there are liberalisations of licensing policy (such as permission of 25 per cent over-production, 100 per cent over-production, diversification, etc.), *foreign companies, i.e.* companies with 40 per cent or more non-resident interest, should be specifically prohibited from taking advantage of the liberalization.

(iii) *Regulating company diversification policy*: As things stand now, government permits diversification or expansion schemes to foreign companies on an agreed formula for raising capital through the issue of equity to Indian citizens in this way:

Foreign Equity Holding	*Required Issue of new equity to Indian Citizens*
If over 75%	40%
60% to 75%	33%
50% to 60%	25%

It is essential in the first place, to prohibit completely diversification by foreign companies into non-priority industries. There are today a sufficient number of indigenous manufacturers of products such as cigarettes, biscuits, cosmetics, talcum powder, soap and the like to make it unnecessary to allow foreign manufacturers to diversify into such consumer product fields.

As a corollary to this, for the same reasons, no case can be made out by foreign companies for increase of their licensed capacity in non-priority industries. This, in time, will allow Indian companies to step out of the shadow of the foreign giants, flex their muscles and forge forward with the growing market.

(iv) *The need for establishing new guidelines for collaboration agreements*: With the passing years there is less of a need, in one industry after another, for foreign technological assistance. If it is at all to be permitted to new entrants it should be only in the priority sector, (and even there the foreign shareholding must be brought down to 40 per cent and in keeping with the following essential restrictions:

a) That foreign technical "know-how" is essential and is not indigenously available.

b) No idle capacity exists in the indigenous sector.

c) No royalties or foreign trade marks are involved in any form.

Existing collaboration arrangements have to be closely scrutinised when they come up for renewal.

(v) *Placing effective restraints on remittance of foreign exchange—on all accounts—to home countries* : Here is the nub of the entire foreign company operation in India, namely, that through their operation passes out of Indian hands vast amounts of very valuable foreign exchange.

The most equitable guideline that can be laid down here is to allow repatriation of profits annually only to the extent of 10 per cent of the capital employed or, alternatively, 20 per cent of net export earnings in the previous year (barring the sham of the export of traditional items by foreign companies engaged in manufacturing activities).

India's paramount interests demand no less than the enforcement of the essential controls set forth from (i) to (v) above.

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

INDIA IS willing to have further talks with Pakistan to settle the (border) delineation problem in the Jammu and Kashmir state which is holding up the withdrawal of troops of the two countries in terms of the Simla agreement. It is also prepared to exchange ambassadors and have bilateral discussions with China if that should improve relations between the two countries.

These two important observations were made in the Rajya Sabha this week by the Minister for External Affairs, Mr Swaran Singh, in the major policy statement while replying to the debate on the current international situation. This debate was the highlight of the deliberations in the two Houses this week.

Dwelling upon Indo-Pakistan relations, Mr Swaran Singh told the House that the government would explore the possibility of another meeting with Pakistan, either at the level of the army chiefs or "at a different level", to resolve the differences over Thako Chak, the 1.5 square miles area which has been the only stumbling block in the way of the agreement over the delineation of the line of control in Jammu and Kashmir. He welcomed the view of the Pakistani government that Thako Chak was a minor issue. He, however, stressed that future talks with Pakistan would be in keeping with the recognised stand of the government of India that all outstanding disputes with Pakistan should be settled peacefully and in accordance with the principles of the Simla agreement.

differing interpretations

As revealed by the joint statement issued last week after the meeting of the army chiefs of India and Pakistan at Lahore, the dispute over Thako Chak has arisen because of different interpretations by India and Pakistan of the first two clauses of para four of the Simla accord. These clauses say that (i) Indian and Pakistani troops shall be withdrawn to their sides of the international border, and (ii) In Jammu and Kashmir, the line of control resulting from the ceasefire line of December 17, 1971, shall be respected by both sides. According to Pakistan, Thako Chak is not on the international boundry between India and Pakistan but inside Jammu and Kashmir and is, thus, covered by the old ceasefire line of 1949. Having been in the possession of the area on December 17, 1971, Pakistan does not think that it is liable to vacate it. The Indian view, on the other hand, is that Thako Chak is on the international boundry running south from Jammu towards Punjab. The area has never been covered by the old ceasefire line. Hence Pakistan is obliged to vacate it. India's case apparently is based on the first clause of para four of the Simla accord, while Pakistan has chosen to rely on clause two.

Referring to China, Mr Swaran Singh stated that both India and China should take positive steps towards normalisation of their relations, keeping in view the larger interests of peace and stability in Asia. India, he added, had no desire to interfere in China's internal affairs. It regarded Tibet as a part of China. He firmly denied all allegations that India had encouraged any fissiparous tendencies in Tibet. He expressed the hope that China too would respect the territorial integrity of India.

government policy

In hir reply to the debate, Mr Swaran Singh covered a wide field and enunciated government of India's policy on all the major international issues. He expressed the hope that Bangladesh would soon find its rightful place in the United Nations. The world body, he said, would be doing no favour if it admitted Bangladesh. The minister was happy to note that the United States had recognised Bangladesh and hoped that in the light of the past experience, the US would take no steps to upset the trends towards normalisation of the situation in the Indian sub-continent and that it would recognise the start of the new policy of bilateralism in the region. He did not see any reason why relations between India and the United States should not be normalised. Conceding that there had been some differences between the two countries in the recent past, which had led to strained relations between them, Mr Swaran Singh felt that these differences would be resolved soon after the United States showed its willingness to make a fresh start after recognising the realities of the situation in the sub-continent.

In regard to Vietnam, the Minister for External Affairs felt that the position there was still "fluid". He, however, hoped that once peace was restored in Vietnam, India would be willing to make all efforts, along with the United States and other countries for the important task of reconstructing this war-torn country.

support to Arabs

Referring to the situation in West Asia, Mr Swaran Singh stated that in the Arab-Israel conflict, India stood by the Arab nations, as it felt that justice was on their side. It could not acquiesce in the acquisition of territory by aggression by Isreal. He, however, clarified that India did recognise Israel as a state. But he did not think that any useful purpose would be served by upgrading the relations between the two countries. Mr Swaran Singh, of course, expressed great disappointment over the attitude of most of the Arab countries towards Bangladesh. These countries, he felt, were motivated by extraneous considerations; their attitude was not based on correct appreciation of the situation.

The Minister for External Affairs reiterated that the Indo-Soviet Treaty was not aimed against any country. It was for mutual good. India was prepared to sign similar treaties with any other nation, he said.

During the debate earlier, while majority of participants stressed the need for continuing the pursuit of the objectives of the Simla agreement in the interest of peace in the Indian sub-continent, the Jana Sangh spokesman, Dr Bhai Mahavir, expressed the view that this accord was already practically dead. Mr N.G. Goray (Socialist) also wondered how long the government would tolerate Mr Bhutto's waywardness in his dealings with India.

Some members also questioned the rationale of certain foreign policy decisions. For instance, they wanted to know why India was not having any dealings with Israel and Taiwan. The need to keep the Indian Ocean free of power politics was

stressed by several members. Some members urged that we should become a nuclear power. Pleas were heard in the debate for our taking initiative to normalise relations with China and for strengthening the relations with all other neighbours. A few members wanted India to play a more important role in Asia.

In a statement on "Mulki Rules," which have led to a good deal of agitation in Andhra Pradesh recently, the Prime Minister, Mrs Indira Gandhi, disclosed the decisions taken by the union government in a bid to pacify tempers in the state and resolve the problem once for all. The measures decided upon are as follows:

(i) The residential qualification prescribed in the "Mulki Rules" will apply only for the purpose of recruitment to non-gazetted posts and posts of tehsildar, civil assistant surgeons and junior engineers in the Telangana region. However, in the case of composite offices, such as the secretariat, the offices of the heads of departments and common institutions of the state government, these rules will apply for the purpose of filling the second vacancy in every unit of three direct recruitment vacancies in non-gazetted posts.

(ii) These safeguards will remain operative in the Telangana region upto the end of December, 1980. However, in the cities of Hyderabad and Secunderabad, the safeguards will continue only upto the end of December, 1977. This distinction has been made because the state capital is located in these cities.

(iii) In order to provide adequate avenues of promotion to the government servants working in each of the two regions, the various service cadres will be regionalised up to the first or second gazetted level. This will not, however, apply to the services which act as direct feeders to the all-India services.

(iv) Educational facilities, including those in the technical and professional fields, which are available at present to Telangana students in the cities of Hyderabad and Secunderabad will not be adversely affected. In these cities the facilities will be suitably expanded and these additional facilities will not be subject to any restrictions on the basis of residence.

(v) For the cities of Hyderabad and Secunderabad, there will be a composite police force, the details of which will be worked out in consultation with the state government.

The necessary legislation to give effect to these decisions, she said, would be brought before the House shortly. The central government would devise suitable machinery to ensure the proper functioning of these arrangements.

The difficult food situation in the country again figured prominently in the Lok Sabha this week. Several opposition members charged the government with bungling on the food front and misleading the nation into a false sense of confidence by making premature declarations about self-sufficiency. The failure of one single monsoon, they pointed out, had shown the hollowness of government's claims about the green revolution. The government, they conceded, could not control the vagaries of weather. But the present crisis, they stressed, could have been averted if proper attention had been paid to developing irrigation facilities over the last 25 years. Planning, they said, had been faulty and implementation left even more to be desired. They wanted to know if a policy decision had been taken not to import any PL 480 foodgrains from the United States. They asked what the union Agriculture Secretary had been doing in Washington recently. Some members alleged that there had been starvation deaths in the country.

no starvation deaths

Sharing the concern of members over the present difficulties on the food front, the Minister of State for Agriculture, Mr A.P. Shinde, emphasised that agricultural production this year had been affected by drought. He styled the talk about starvation deaths as misrepresentation of facts. He challenged the opposition members to substantiate their allegations in this regard. This sparked off an unroar in the House. The Jana Sangh, CPI, CPM and Congress-O members angrily asserted that the lists of the names of the persons who had died of starvation had already been supplied to the government. These had been published in the press too and the government had not so far contradicted these reports. Mr Shinde, however, pointed out that the lists supplied by the opposition members had been sent to state governments. They had denied that there had been starvation deaths. About imports of foodgrains, Mr Shinde reiterated that they would be effected on commercial basis only.

The following important information was provided by various ministers in the two houses of Parliament this week.

(1) The cotton textile industry is fulfilling its obligation to produce 100 million metres of controlled cloth every quarter under the voluntary scheme for the production of controlled varieties of cloth, which has been in operation since June 1, 1971. Efforts are being made to step up the production of this type of cloth to 125 million metres per quarter. "Despite pressure" from the industry, the prices of controlled cloth will not be raised. The suggestion contained in the interim report of the Bureau of Industrial Costs and Prices that textile prices should be increased, has been turned down. The subsidy of 35 paise per metre, which is being given to mills to make up for the rise in cotton prices for the last several years, it was hinted, might be withdrawn. The issue is under the consideration of the government.

(2) The government would not hesitate to introduce price control if it became necessary to check "fabulous profits" being made on synthetic and mixed fabrics.

(3) Most of the creditor countries have agreed to give debt relief to India. The matter was discussed in October at the annual meeting of the World Bank.

(4) The public sector banks have selected in all, 1,285 branches for the operation of the scheme for differential interest rates and loans amounting to more than Rs. 10 lakhs have already been sanctioned by these institutions to about 2,000 borrowers under the scheme of differential interest charges.

(5) The report of the Committee on Taxation of Agricultural Wealth and Incomes (popularly known as the Raj Committee) has been sent to state governments with the request that they should expeditiously initiate steps to implement the measures suggestion in the report.

(6) As on November 21, 1972, there were 34 top posts vacant in the central government's commercial enterprises. Of these, nine posts were of chief executives, 10 of functional directors and 15 of general managers.

(7) The Railway Board has decided to abolish second class travel. A decision to do away with this class progressively had been taken earlier. The second class coaches on unimportant trains and where their utilisation was poor were being withdrawn. But according to the latest decision taken last week, the existing second class coaches will be converted into third class coaches as they go for repairs. This process is expected to take 18 months. The measure has been taken with a view to providing larger third class passengers carrying capacity.

(8) The foreign oil companies have agreed to the government of India's suggestion that they should not sell consumer items such as batteries, shock absorbers,

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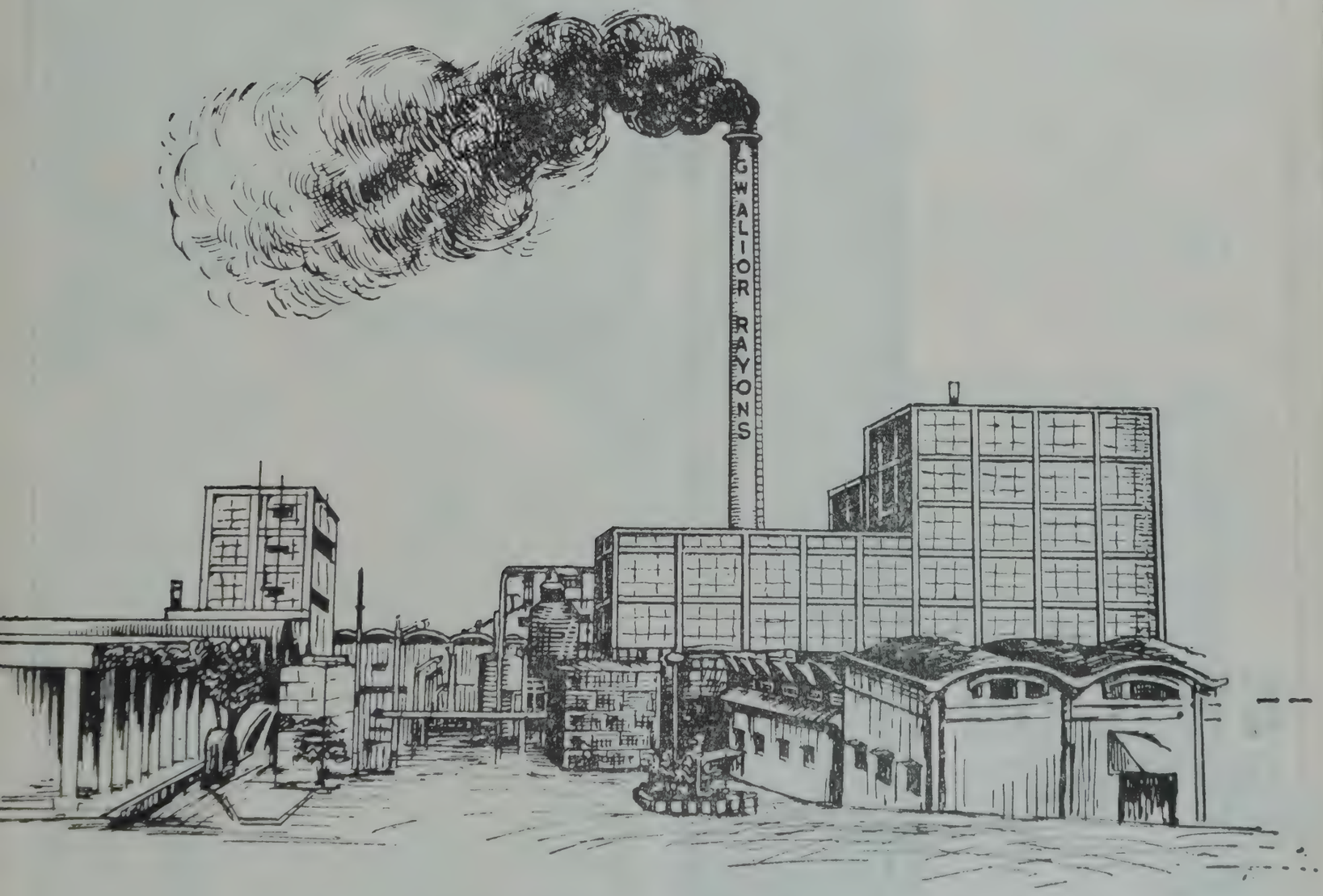
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etc, through their retail outlets under their trade names. They have confirmed to the government that they would not hereafter place fresh orders on manufacturers for such items and would not also obtain items whose labels might show as if the same might have been manufactured for sale through their retail outlets.

(9) Sugar production this year is showing an upward trend. In October, the output was higher by 60,000 tonnes, compared to the production in the corresponding month last year.

(10) The situation prevailing in Uganda at present does not give an impression to the government of India that the properties left by the Asians there would get proper compensation. The government of India, however, is in touch with the Uganda government to do the best in the circumstances.

(11) The shares held by the government in private steel plants will be transferred to the holding company due to be set up for the steel industry. The holding company will also act as the nominee of all public sector financial institutions which possess shares in the private sector steel units.

(12) As a result of the raising of the minimum bonus from four per cent to 8.33 per cent, the bonus liability of commercial undertakings of the central government for 1971-72 is estimated to go up by about Rs. 7 crores.

(13) The government has decided to introduce a scheme for the appointment of workers' representatives on the boards of management of a few public sector undertakings on a trial basis. In the first instance, it has been decided to implement the scheme in Hindustan Antibiotics Limited, Pimpri.

(14) The Hindustan Machine Tools, Bangalore, is making preliminary inquiries to manufacture low-priced watches.

(15) The General Insurance Corporation, formed after the nationalisation of private companies doing general insurance business, will undertake a pilot scheme of crop insurance. The union government has asked the corporation to do so. The corporation will take up the scheme in selected districts for selected crops on an experimental basis. This will be similar to the scheme being implemented by the Life Insurance Corporation for hybrid-4 cotton in Gujarat.

(16) The government has taken a firm decision that public distribution system would henceforward remain a permanent arrangemedt to make available essential commodities to consumers at reasonable prices.

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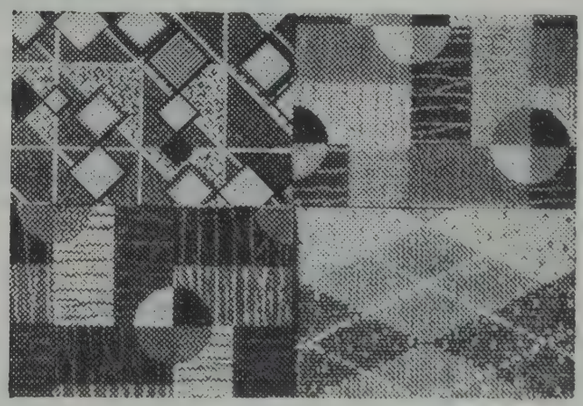
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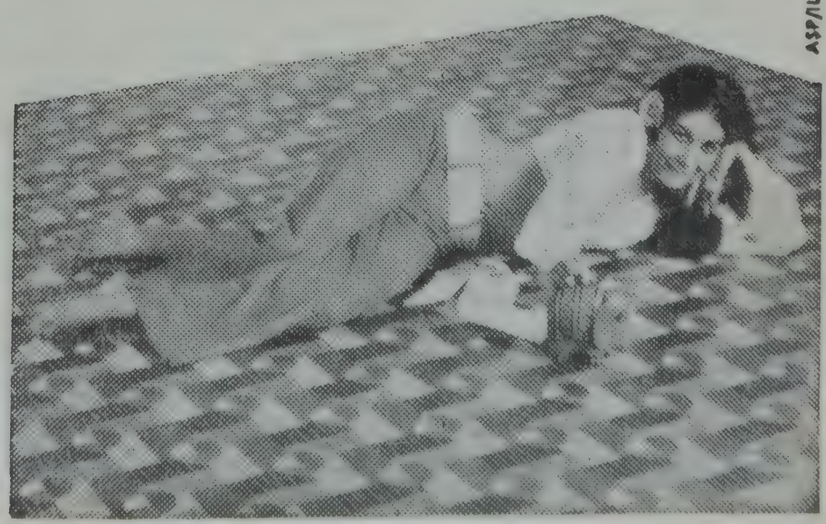
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The European Summit in Paris

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WINDOW ON THE WORLD

I

EEC's Internal Development

ON JANUARY 1, the UK will formally join the institutions of the European Community. It is, however, clear the UK has already begun to act as a full partner and effective participant in the deliberations of the new Community. The British government is taking positive European initiatives, the like of which have not been seen for a long time. These are the first fruits of the UK's new position as a participant in the work of the new Community. This is the opportunity which was seized by the Prime Minister at the recent summit of heads of state and of government which met in Paris last month.

The major achievement of the summit meeting was to chart the course of the enlarged Community for the years ahead. This had been done successfully at The Hague in 1969 when the heads of government set a new course for the original Six. It was done with equal success in Paris, only this time Britain's voice was clearly heard and British objectives were prominently represented in the final *communique*.

Having spelled out the challenge facing the enlarged Community in his opening speech in Paris, Mr Heath and the British delegation worked hard to see that ways were found to meet it. On his return to London, the Prime Minister underlined the importance and the value of the solemn declaration, which accompanied the final *communique*, and particularly that part of it where the member states of the Community affirmed "their intention to transform before the end of the present decade the whole complex of their relations into a European Union". The heads of government envisaged a further summit meeting in the mid-1970's to consider what further steps beyond those agreed in Paris would be needed to reach this goal. Before the end of 1975, the Community institutions are to draw up a report for submission to such a conference. In the meantime, the institutions of the enlarged Community have been set a large number of objectives covering a wide gamut of policy, which I summarise below.

The heads of government agreed that the necessary decisions should be taken in the course of 1973 so as to allow the transition to the second stage of *economic and monetary integration* to take place in January, 1974, and with a view to its completion not later than the end of 1980. They reaffirmed that progress towards the co-ordination of economic policies and steps towards monetary union should advance side by side. On the basis of fixed but adjustable parities between the currencies of member states and mechanisms of mutual support to defend them, they agreed to establish before April, 1973, a European Monetary Co-operation Fund to be administered by the committee of governors of central banks within general guidelines laid down by the council of ministers of the enlarged Community. During an initial phase the Fund will operate according to the following principles: concerted action between central banks for the purpose of narrowing the margins of fluctuation between their currencies; the "multilateralisation" of positions resulting from interventions in Community settlements; the use for this purpose of a European unit of account; the administration of short-term monetary support among the central banks; and the regrouping in the Fund of the very short-term financing arrangements arising from the agrement on the narrowing of margins and short-term monetary support.

purpose of the meeting

The summit meeting has called for reports from the competent bodies of the Community on the adjustment of short-term support (not latter than September 30, 1973) and on the conditions for the progressive pooling of reserves (not later than December 31, 1973). The need for closer co-ordinatione of the economic policies of the member states was stressed and it was agreed that priority should be given to the fight against inflation and a return to price stability. The ministers concerned have been instructed to take concrete action in this field at an early date. Finally under this heading, the European leaders expressed their determination to make a positive contribution to the reform of the international monetary system by adopting a common Community attitude. (See Section III below on international money).

In the course of an impressive speech to the conference, Mr Heath made clear the importance which Britain attached to the creation of effective Community action in the field of regional policy. He said that an effective regional policy must be "an integral part of the Community's work", and added:

"It is not just that the consolidation of economic and social progress will be incomplete without it. It is the only way in which we shall be able, as a Community, to correct the imbalance which will inevitably arise between different regions as we move further towards monetary union. For a rigid monetary system without the means of economic compensation within it would surely be too brittle to survive. A regional policy is thus an essential feature of the Community's Economic and Monetary Union, and

must be financed from the Community's own resources".

In the event, the Paris summit accepted Mr Heath's recommendation. Not only did the heads of government undertake to co-ordinate their regional policies, but they also invited the Community institutions to create a Regional Development Fund to be set up by 1974 and to be financed, from the beginning of the second phase of economic and monetary union, from the Community's own resources. As they put it in the *communique*: "Intervention by the Fund in co-ordination with national aids should permit, progressively with the realisation of economic and monetary union, the co-relation of the main regional imbalances in the enlarged Community, and particularly those resulting from the preponderance of agriculture and from industrial change and structural underemployment". This commitment holds out the prospect of Community aid to older industrial areas including those in Britain.

programme for action

In the field of social policy, the nine heads of government invited the institutions of the Community, after consultations with labour and management, to draw up between now and January, 1974, a programme of action aimed at carrying out a co-ordinated policy for employment and vocational training, improving working conditions, and co-ordinating measures of consumer protection. Once implemented, such a programme will go a long way towards creating a more healthy balance in the Community between the interests of management and labour, producers and consumers.

In the related fields of industrial, scientific and technological policy, the Nine agreed to establish a single industrial base for the Community as a whole and invited the Community institutions to draw up by the beginning of 1974 a programme of action and a precise time-table for the implementation of a Community industrial policy. Among the steps to be taken in the industrial field are the elimination of technical barriers to trade, the rapid adoption of a European company statute, the progressive and effective opening up to supplies of all Members of the public sector purchases, and the promotion of advanced technological industries operating on a European scale. Together with the positive and specific commitments on regional policy, these measures can go a long way towards ensuring that Britain and all her partners reap the full benefits of participating in a wider economic area. Here again the summit followed the path sketched out by Mr Heath in his speech when he called for a "deliberate plan and a precise time-table".

Other areas of internal policy in which the Nine reached broad agreement were those of environmental and energy policies. In environment, they agreed to invite the Community Institutions to draw up before the end of July, 1973, a programme of action accompanied by a precise time-table. In energy, they called upon the Community institutions to formulate as soon as possible an energy policy "guaranteeing certain and lasting supplies under satisfactory economic conditions". This last point is likely to assume crucial importance as the competition for scarce energy resources becomes more intense during the years ahead. Security and adequacy of energy is a vital precondition of industrial development in the enlarged Community.

The heads of government were also concerned to improve the decision making procedures and the functioning of the Community institutions. Accordingly, the Community states are to decide what will be needed in the way of Community arrangements and procedures, and how powers and responsibilities should be divided as between the Community and the member states, as the EEC advances towards economic and monetary union. The *communique* notes the desire of the governments to strengthen the powers of control of the European Parliament, to improve its working conditions and its relations with other Community bodies. The council of ministers has been asked to take practical steps to improve its own decision-making procedures before July next year.

II

EEC Relations with Other Countries

In the sphere of external relations, the Nine entered into commitments which will ensure that the enlarged Community lives up to its global responsibilities and builds upon the outward-looking foundations already laid by the Six. In doing so, it will take particular account of the concerns of those countries towards which, through geography, history and previous commitments, it has specific responsibilities. Assuming that the Commonwealth countries concerned take up the offers of association which have been made to them, the enlarged Community will have association or trade agreements with something like 60 countries, almost half the membership of the United Nations. This does not foreshadow an introspective Community but an outward-looking group. The pundits of India's External Affairs Ministry should look into the possibilities of cashing in on our membership of the Commonwealth.

The Nine have agreed to take positive steps towards the adoption of an overall policy towards the developing world, including the promotion of international commodity agreements, the extension of generalised preferences and the improvement of the financial conditions of foreign aid. The *communique* also contains an important statement of intent about *trade relations with developing countries*. Against the background of the forthcoming GATT negotiations, the heads of government made clear their interest in "contributing to a progressive liberalisation of international trade by measures based on reciprocity and relating to both tariff and non-tariff barriers". A global approach to trade problems is to be adopted by the Community institutions not later than July 1 next year, and the hope is expressed that the forthcoming multilateral negotiations can be brought to a successful end in 1975.

foreign policy co-ordination

Because it is important today to consider the international political implications of the Community economic policies the Nine have agreed that their consultations in the field of foreign policy co-ordination should be intensified at all levels and that the foreign ministers from the member states should henceforth meet four times a year instead of twice as hitherto. They agreed that the foreign ministers should produce by July, 1973, a further report on methods of improving political co-operation in accordance with the Luxembourg Report.

In his report to the House of Commons last month, Mr Heath said that "it augurs well for the enlarged Community, and for this country as a member of it, that the meeting was able to reach positive and specific decisions over such a wide range of matters on the basis of principles on which we were all agreed. It was clear that the achievement of enlargement had given a new impetus to the Community's development". It is clear as well, that at least two characteristics of the 6-member Community are to be retained by its nine-member successor. One is the habit of burning mid-night oil—it was not until the early hours of October 21 that agreement was finally reached between the European leaders. The second is a determined pragmatism, so congenial to the British temperament, which leads the Community to agree on certain general lines of action, and at the same time set deadlines for the taking of concrete decisions. Like the Rome Treaty itself, the Paris *communique* is a time-table for future

decision-making by the institutions. In implementing this time-table, there will doubtless be much hard bargaining with periodic alarms about the difficulties of agreement, but hard bargaining is the essence of unification, aptly described recently by Sir Alec Douglas-Home as "a process not an event".

III

Talks on International Money

The meeting of Commonwealth Finance Ministers in London in September laid great stress on the importance and urgency for all Commonwealth countries of the reform of the international monetary system. The ministers agreed to certain broad objectives: that the reformed system should be based on fixed but adjustable parities; that the general convertibility of currencies should br re-established as soon as practicable; that there should be effective regulation and liquidity in the world; and that the special interest of the developing countries should be fully recognised. On the last point, the ministers welcomed the decision of the governors of the International Monetary Fund to establish a "Committee of Twenty", which groups both developed and developing countries. They expressed the hope that this Committee would consider the modification and development of Special Drawing Rights into a more effective and acceptable reserve asset. The ministers also discussed the possibility of a link between SDRs and development finance.

On the question of the Sterling Area, the British Chancellor assured the meeting that the new exchange control arrangements, introduced by the UK in June when the pound floated, were directed only against certain transactions by UK residents and involved no restrictions on currency payments, including trade credit, or on finance for direct investment.

At the annual meeting of the International Monetary Fund which followed the Commonwealth Finance Ministers' meeting, Mr Barber, the British Chancellor, reminded the Fund of the suggestions for reforming the international monetary system which he had put forward at last year's meeting and which had received a wide welcome. Under these proposals, a neutral reserve asset (probably Special Drawing Rights) would replace, in the main, reserve holdings of national currencies (primarily the US dollar but also sterling). Mr Barber said that this would be an essential condition both for effective control by agreement of world liquidity, and for a system of general convertibility of currencies on a permanent and sustainable basis.

Mr Barber dwelt on what he called "the enormous task which still remains to improve the intolerable conditions in which two-thirds of the world still live". He expressed sympathy with proposals for links between SDR and aid. He said:

"The arrangements to provide such a link would have to be part of that wider reform (of the international monetary system) and would have to be consistent with its objectives, not least because if they were not, that would probably itself frustrate the prime purpose of providing extra resources for developing countries. We would have to make sure that any such scheme was not inflationary: that it would not lead to pressures for the excessive creation of SDRs beyond what prudent, internationally-agreed judgment regarded as appropriate to the prospects for world liquidity as a whole. But if these conditions can be met, then I say today that the United Kingdom will be in favour of providing in a reformed system for some form of link."

Further encouragement for the reform of the international monetary system came from the new US Treasury Secretary, Mr George Schultz, who offered to make the dollar convertible again in return for a monetary system that would help all countries get their external payments in equilibrium. Mr Schultz's main proposals were:

1. Wider margins around currency parties to dampen down short-term capital movements.

2. A more flexible exchange rate system to ensure that surplus as well as deficit countries make prompt adjustments in their exchange rates with sanctions against surplus countries that did not revalue and deficit countries that did not devalue.

3. A more permanent role for the SDR, both as a source of liquidity and as a *numeraire* (legal tender) for the system. Proposals should be studied for exchanging part of existing reserve holding into a special issue of SDRs at the option of the holder.

Though most of the discussion on economic and monetary matters concentrated on internal moves towards closer coordination, the Paris meeting of the nine heads of the enlarged Community did not lose sight of the broader problem of devising new machinery for the international monetary system. The *communique* which ended the summit set out principles on which a successor to the Bretton Woods system should be based. In emphasising the need, for example, for fixed but adjustable parities, the general convertibility of currencies and a reduction in the role of national currencies as reserve instruments, the agreement followed closely that which was reached in London in July when Mr Barber was host to the finance ministers of the European Nine and Norway. The Paris *communique* also stated that a system on the principles laid down would be "fully compatible" with the achievement of economic and monetary union between the Community states.



Asian Development Bank & agriculture

Sadashivaiah

THE ASIAN Development Bank which opened for business in December 1966 is an international development finance institution conceived by the United Nations Economic Commission for Asia and the Far East (ECAFE). Its purpose is "to foster economic growth and cooperation in the region of Asia and the Far East.... and to contribute to the acceleration of the process of economic development of the developing countries in the region, collectively and individually." In the beginning the Bank faced the major problems of building up an initial framework of organisation, policy formulation and staffing to enable it to carry out its functions. Following initial contacts with member countries, the operational stage soon commenced. In January 1968 the Bank's first loan was approved, an amount equivalent to US $5 million to the Industrial Finance Corporation of Thailand. This was followed by six other loans to five countries, namely, Ceylon, Republic of China, Republic of Korea, Malaysia and Pakistan bringing the total amount to the end of 1968 to US $41.6 million.

harmonious growth

The Bank's operations are guided by the provisions of its articles of agreement which state, *inter alia*, that in utilising its resources, priority should be given to those regional, sub-regional as well as national projects which will contribute most effectively to the harmonious economic growth of the region as a whole. Since most of the Bank's developing member countries are predominantly agricultural, issues surrounding the modernisation of regional agriculture through the application of science and technology have received special attention of the Bank.

As its first operational activity, the Bank undertook the Asian Agricultural Survey in 1967. The survey was organised at two levels—(1) a consultative committee consisting of eleven experts in the field of agriculture, headed by two co-chairmen, Prof Kazushi Ohkawa and Prof T.W. Schultz, determined guidelines and the general terms of reference of the survey and reviewed the reports; and (2) a technical and economic survey team which was led by Dr Nam Kyu Chung with Dr W.D. Hopper as deputy team leader and which included sixteen other agricultural specialists implemented the survey and prepared the reports. The Asian agricultural Survey identified for the Asian Development Bank the major constraints limiting regional agricultural growth and commended to the Bank several broad spheres where investment support in national and regional development programmes could best serve to break these constraints.

The regional seminar on agriculture which was conducted as a follow-up measure reviewed the policy implications of the major survey findings in the broad context of agricultural development in the region. It also discussed pertinent problems of infrastructure and input requirements, development of rural institutions, productivity improvement and trade promotion. In this connection, special reference was made to the role of the Bank's financial and technical assistance and to the use of other resources that the Bank can help to mobilise for the benefit of the region. As a result, the seminar discussion added detail and gave new priorities to the survey suggestions.

The Bank's operations in the field of agriculture, since that time, have been guided by the above studies. They have also been influenced by subsequent developments, such as the lessened concern about food shortages as a result of advances in new technologies for rice and wheat, and the increased attention to the resulting need for crop diversification. Loans to the agricultural sector by the Bank have been coupled with technical assistance in various forms to a greater degree than in other sectors. Technical assistance is given by the Bank in order to help developing member countries in project preparation and implementation, policy formulation and institution building. As at the end of 1970, the Bank had approved for agriculture 20 loans totalling $64.6 million plus 24 technical assistance operations. The principal areas of attention were water resources, integrated agricultural development, industrial crops, agro-industries, farm mechanisation, fisheries and livestock. The technical assistance extended by the Bank to development financing institutions has often aided institutions much involved in providing agricultural credits.

During 1971, six loans totalling $27.34 million were approved in the agricultural sector, with four countries—Indonesia, Nepal, Republic of Vietnam and Wes-

TABLE I

Loan Approvals by Sector

Sector	1971		Cumulative (1968-1971)	
	Amount ($ 000)	% of total	Amount ($ 000)	% of total
Agriculture	27,340	10.8	91,893	14.4
Electric power	105,540	41.5	151,690	23.7
Industry including development banks*	46,150	18.2	204,170	32.0
Transport and communications	44,200	17.4	136,410	21.4
Water supply	30,800	12.1	51,300	8.0
Education	—	—	3,000	0.5
Total	254,030	100.0	638,463	100.0

*Excluding agricultural development banks.

Source: Asian Development Bank, Annual Report, 1971. p. 16

tern Samoa—as recipients. Loan approvals in 1971 and cumulative loan approvals during the period 1968-71, subdivided into the main economic sectors, are shown in Table I (page 1180). In 1971, all six loans in the agricultural sector were given on concessional terms (1½ to 3 per cent as against 7½ per cent in case of loans from ordinary capital resources) from the special funds of the Bank. The special funds consist of Technical Assistance Special Fund, Multi-purpose Special Fund and Agricultural Special Fund. The loans ranged from $0.330 million for Beef Cattle Project in Western Samoa to $9.200 million for Sempor Dam and Irrigation Project in Indonesia. The other loans were for Bank Rakjat Indonesia Modernisation Programme in Indonesia ($3.400 million), North Sumatra Rubber and Oil Palm Project in Indonesia ($7,410 million), Kankai Irrigation project in Nepal ($4.550 million), and Binh Dinh Irrigation Project in Republic of Vietnam ($2.500 million). In addition, the loan of $22 million to the Republic of Korea for the multi-purpose Andong Dam would supply water for irrigation as well as for power and municipal and industrial use.

technical assistance

During 1971 five technical assistance projects involving grants totalling $706,000 were approved in the agricultural sector. Of these, four projects would help in the preparation of projects for possible future financing and one is concerned with the implementation of a Bank-financed project. Of the total technical assistance grants given to a wide range of development activities, agriculture absorbed the largest portion. This is reflected in Table II which contains aggregate technical assistance approvals on a sectoral basis.

In accordance with its charter the Bank maintains co-operative relations with the World Bank, other regional development banks and with the United Nations and its various organs and specialised agencies. To promote the development of agriculture, fishery and forestry, the Bank exchanges information and consults with the Food and Agriculture Organisation. Thus, a consultation under the interim arrangement for co-operation between the Bank and the Food and Agriculture Organisation was held in Manila in January 1971 when a number of projects and possible areas of activity suitable for co-operation were discussed.

Moreover, during 1971 the Bank became a member of a new Consultative Group on International Agricultural Research which was sponsored jointly by the World Bank, the Food and Agriculture Organisation, and the United Nations Development Programme. The main task of this Group is to identify the needs of developing countries for special efforts in agricultural research at the international and regional levels and to promote international assistance to fulfil these critical needs. As a result, the Bank's association with the Group is bound to be of great significance.

An important problem facing the Bank is with regard to the mobilisation of resources for lending operations. Since 1969, soft lendings, that is, lending from special funds resources of the Bank, have occupied a significant place. Commitments in this regard have grown at an annual rate of over 100 per cent. But the inflow of resources available for lending (excluding contributions to the Technical Assistance Special Fund) has not kept pace with loan commitments. During the period 1969 and 1971, contributions to the Multi-purpose and Agricultural Special Funds showed an annual increase of about 55 per cent. Therefore the most pressing need of the Bank is for sufficient Special Funds resources for soft lending operations. It is noteworthy that the management of the Bank has proposed to undertake a study of the problem of securing resources needed to maintain and strengthen the Bank's soft lending operations.

Besides mobilisation of Special Funds resources, terms on which those resources are contributed also act as an obstacle in the way of smooth lending operations. In other words, it has become increasingly difficult to administer funds contributed on different terms and with different degrees of restrictions upon use in a way which is compatible with the reasonable requirements of the Bank's borrowers. In this regard also, efforts have been made by the Bank to standardise the terms of contributions and introduce greater flexibility in such terms.

On the whole, it is only through the removal of these bottlenecks that the Asian Development Bank can find major opportunities to support and assist regional agricultural growth.

TABLE II

Services to Member Countries: Technical Assistance

(Approval by Sector: 1971 and Cumulative : 1967-1971)*

Sector	1971		Cumulative Total 1967-1971	
	Number	Amount ($)	Number	Amount ($)
Agriculture	5	706,000	29	4,859,450
Development financing institutions	1	26,000	8	560,500
Electric power	2	149,000	4	414,000
Industry	2	75,300	5	339,300
Transportation	3	538,000	9	1,621,000
Water supply	—	—	1	150,000
Others	2	41,700	2	41,700
Total	15	1,536,000	58	7,985,950

*Excluding regional projects.

Source: Asian Developmnt Bank, Annual Report, 1971, p. 16.

Nixon moves on trade

Eugene Brake
Washington

US OFFICIALS are making it clear in a number of ways that the Nixon Administration intends to move vigorously on trade issues in the coming months and years.

The most important trade negotiation on the agenda is the global talks planned to begin in 1973 and to result in the reduction of a wide range of trade barriers —tariff and non-tariff, agricultural as well as industrial. US government agencies have launched an extraordinarily comprehensive effort to prepare for them. American trade officials hope that the results of these negotiations will surpass the trade liberalisation achieved by the Kennedy Round in the 1960s.

Another set of trade negotiations will precede the comprehensive, global trade talks. These are the discussions within GATT (the General Agreement on Tariffs and Trade) concerning the enlargement of the European Economic Community (EEC) and the effects on the trade of third countries that will arise from the Community's special trade arrangements with countries that are not becoming full members of the Common Market.

tough negotiations

When a country has to raise tariffs or other trade barriers upon entering into a customs union, the rules of GATT require that it must compensate non-member countries for any damage to their trade interests.

The fact that the United States is dead serious about pursuing its rights and those of other non-members would seem to assure that some tough negotiating lies ahead.

The most desirable solution to the compensation issue from the point of view of the United States—and other countries who will be negotiating with the Community on these issues—would probably be actions to correct the specific situations that are causing problems and to restore the balance of rights and obligations created by past negotiations.

For example, where the EEC's agricultural policies have affected the growth of US grain exports, the Community could adopt modified policies that would protect the incomes of its farmers just as effectively without forcing the farmers of other countries to give up part of their potential markets.

Where the EEC's special trade arrangements with non-member countries result in discrimination against US goods, the amount of discrimination could be reduced in a number of ways. For example, the "reverse preferences" could be dropped from the arrangements between the Community and some developing nations. (The "reverse preferences" require that the developing countries charge lower duties on industrial imports from EEC members than on similar imports from the United States. Japan, and other non-member countries.)

corrective action

If the European nations are not willing to take specific corrective action, they could grant compensation in another way. They could reduce trade barriers affecting other items of interest to the United States, so that the gain in one area would offset by the loss in the other.

Present indications are that there is a willingness on all sides to negotiate seriously. European spokesmen appear to accept the principle that some compensation is owed to other countries. Of course, tough bargaining can be expected on where and how compensation is to be given and how much.

The chances for a constructive outcome are enhanced by the willingness of all the major trading nations to enter into comprehensive, global trade negotiations next year. The reduction or elimination of many trade barriers on a worldwide basis would be enough, in itself, to satisfy many complaints of trade discrimination if there were to be no tariff at all in a particular product, for example, there would be no discriminatory tariffs.

Taken together, the results of all these negotiations should add up to gains in export opportunities for everyone as total world trade increases under the stimulus of worldwide trade liberalisation. It is this constructive sort of outcome—not a sterile confrontation—that is the objective of the vigorous new US trade policy—USIS.

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asia72

This is the third and final instalment of *Eastern Economist* feature on Asia 72, covering another nine pavilions. This time five countries (Bulgaria, Hungary, Czechoslovakia, Mongolia and Zambia), one state (Jammu and Kashmir), two public sector companies (Bharat Heavy Electricals and Mineral & Metals Trading Corporation) and one private sector unit (K .G. Khosla & Co. Pvt Ltd) have been reviewed.

Czechoslovakia

The visitors to the Czechoslovak pavilion find models and pictures of complete plants and factories delivered by Czechoslovakian enterprises to various countries of Asia in the course of the past few years. Metallurgical and engineering plant in Ranchi with the annual output of 145,000 tons of steel and 10,000 tons of heavy machine tools per annum, heavy power engineering works in Hyderabad manufacturing turbosets in 110 MW units with an annual output of 900 MW (models and illuminated diagrams of both plants are situated in Skoda-exports stand in the pavilion), factory for the production of steam generators in Tiruchirapalli, factory for the production of machine tools in Ajmer, assembly factories of tractors and motor-cycles under the Czechoslovak licence, petrochemical plant and refinery in Homs (Syria) and Basrah (Iraq), cement works in Dal-i-Chomri in Afghanistan, power plant Shous in Teheran (Iran) equipped with Czechoslovak diesel machines, enamel works in Djakarta etc.

The technical level and quality of its hundreds of exhibits shows good prospects for the future because Czechoslovakia ranks among five biggest producers of machine tools in the world. From a wide production range exhibited at ASIA 72, Strojimport Co. Ltd, Prague draws attention to BDA type of internal grinding machine which is intended for grinding of small and medium-diameter holes in the 3-80 mm diameter range in an automatic working cycle. Czechoslovakia has also high level in the research and production of textile, shoe-making and leather making machines.

Investa Co. Ltd, Prague exported machines and has sold licences to many countries. Among exhibits of this category, mention could be made of the automatic cross winding machine Autosuk having winding speed 500-1200 m/min. which processes yarns like cotton, rayon, synthetic and blend yarns 20-100 m.c., wool and blend yarns 16-80 m.c. with wool content upto 45 per cent. This machine provides winding yarn from packages (cops) to creel bobbins which serve for preparation of the warp or as a feeling bobbins of the weft for unorthodox power looms as jet or gripper looms. Automatic cross winding machine is suitable for Indian conditions; all devices are of the mechanical type easy to be set up or replaced.

The stand of Kovo Foreign Trade Co. situated in the central part of the pavilion displays a wide range of printing machinery out of which the Romayor 513 with numbering perforation and imprinting attachment combines the offset and book printing. The Rotafolio is a very high precision letter press printing machine. Both these machines are shown for the first time in India.

Special attention should be given to the Tesla Telecommunication, Tesla Pulse Code Modulation system Type KPK 32 fully corresponds with the recommendations of CCITT. This system provides the most efficient and economic means of enlarging the capacity of existing junction lines between telephone exchanges in large cities.

Pragoinvest Company, Prague, exhibits several models of a wide manufacturing programme. Attention may be drawn to the model of a cooling turbocompressor for water cooling in the production of artificial fibres with a total capacity of 4 to 5 million Kcal/h at —1/+38 degrees centigrade. These compressors are ready made according to the clients' requirements. Other model in this stand represents Diesel Electric Locomotive 135HP which can be used both as shunter as well as the main locomotive.

The Power Engineering Industries, ZSE, Prague are the biggest exporter of power engineering items. At this exhibition they are showing a few exhibits to which the high frequency generator GV22 and hardening machine PV are remarkable. Outstanding exhibits of Chirana Co., Stara Tura (Slovakia) the sole manufacturer of hospital equipment in Czechoslovakia and exporter to many hospitals all over the world, are complete basic equipment for dental practice, consisting of dental unit Chirana, dental chair — electro-hydraulic type, dental wall bracket, X-ray unit Minident and so on.

Techno-export Co. Ltd, Pragaue exposes some models of the equipment which are provided for the complete plants in the line of chemical industry, breweries and other foodstuffs industry. One of the exhibited model shows the up to date design of the flour mill.

Outside the Czechoslovak pavilion the Motokov Trade Corporation, Prague, one of the leading export and import companies is displaying a complete range of agricultural diesel tractors marked Zetor. Among them there are two exhibits which may be mentioned are — Mini Diesel Tractor T4-K 14 which is very economical for play grounds, gardens and parks and the Zetor 8011 (the heaviest from all displayed) which at the recent International Agricultural Show in Sweden received the award as the "best Tractor of the year 1972" for its performance and technical parameters.

Bulgaria

Mr Tsvyalko Botev, Director of Bulgarian pavilion welcomed the members of the press to the pavilion recently and stated that the Bulgarian motto for participation in 'Asia72' in the words of the President of State Council of the People's Republic of Bulgaria, Mr Todor Zhivkov, is that Bulgaria desires to develop her trade and economic relations with the developing countries on the basis of mutual benefit, and that, Bulgaria wishes to render assistance for strength-

ening the economic independence of the developing countries of the world.

Bulgaria, he said, has made tremendous progress during the last few years. In 1939 the industry and crafts accounted for hardly 15 per cent of the national income of Bulgaria. Last year Bulgarian industry yielded more than 50 per cent of the Gross National Income. Bulgaria at present turns out in one week as much industrial products as she produced during the whole of 1939.

The output of agriculture has also doubled, while at the same time the rural population of the country has decreased from 77 to 47 per cent.

In 1939 Bulgaria exported goods worth 54 million US dollars, while it is expected that this year her trade turnover with India alone would cross the 50 million US dollar mark. Bulgaria's trade with the countries of Asia, Africa and Latin America in 1937 amounted to a paltry two million dollars. Last year it reached 290 million dollars.

Over the past decade Bulgaria has added to her production list electronic computers and office hardware, combining the achievements of leading world's manufacturers with original innovations suggested by Bulgarian industrial designers. Many new plants and factories have been built for this specialised line of production, all using most modern technology.

The output of the machine-building industry will be doubled during the 1971-75 period: the production of electronic equipment and managerial office hardware will increase ten times, radioelectronic equipment more than twice, the production of electrode components over four times, and so on. During the current sixth five-year Plan (1971-1975) exactly 17 per cent of all investments for industrial development will be directed towards the machine-building sector.

Over the past decade or so the specialised foreign trade enterprise 'Technoexport' has exported' to countries in all parts of the world more than 300 complete installations for new plants and factories: for the food, textile, leather, tobacco industries in particular, as well as refrigerating equipment. Installations for the production of sulphuric acid, a cannery and machinery for pharmaceutical preparations to India. These deliveries include production lines for pectin and fruit juices sold to the Soviet Union, installations for a meat packing plant and a leather factory to Mongolia, milk processing and refrigerating installations to Cuba, equipment for a textile and leather factory to Algeria, etc:

'Technoexport' has been constantly expanding and now integrates within its system 18 design and development bureaus and institutes.

Bulgaria's export list includes more than 70 lines of production, representing nine main branches of industry. Credit agreements have been negotiated with India, Egypt, Algeria, Syria Iraq and other countries. Bulgaria has started building a large complex for ferro-alloys in Egypt. Bulgaria has signed contracts for the delivery of installations for entire industrial development projects in Chile, Peru, Brazil, Colombia, Uruguay and other countries.

Bulgaria's scientific designers furnish yearly the blueprints of more than 1200 machines and devices. More than 400 of them are inventions, patented by the Bulgarian Institute of Rationalizations and Inventions in many foreign countries. At present the Institute of Rationalizations and Inventions maintains over 430 Bulgarian patents in foreign countries and has filed patent applications for 1160 others.

The Bulgarian state economic corporation Balkancar integrates within its system twenty-six specialised plants and factories for electric lift trucks, internal combustion lift trucks, electric hoists, hydraulic and pneumatic systems, starter and power batteries. More than 50 other industrial enterprises supply parts and assemblies for 'Balkancar' mechanical handling equipment. 'Balkancar' has designed 17 series, 50 types and more than 1000 variants of its electric and internal combustion lift truks, including platform trucks of the three-and four-wheel types, multipurpose or special-purpose machines with side or longitudinal reach, electric tractors, low-lift and pedestrian-controlled trucks.

The national income of Bulgaria in 1971 is six times than that of 1939, and only in 1965-1970 increased by 52 per cent. tt is envisaged that in 1975 the national income will be 50 per cent larger than in 1970.

Hungary

On the occassion of the Hungarian National Day celebration at the Tnird Asian International Trade Fair recently, it was pointed out that the two countries, India and Hungary, had witnessed among other things, closer ties and friendly relations developing in all spheres—political, economic and cultural. Since the signing of the bilateral trade and payments agreement in 1960, the volume of trade between India and Hungary has grown four fold. The new five-year Trade and Payments Agreement signed in March, 1971, opened up new potentialities for further expansion of trade relations. To meet the increasing tempo of India's industrialisation programmes, Hungary envisaged substantial exports of steel goods, chemicals, pharmaceutical basic substitutes, railway wheel sets, pneumatic brakes, components and various other capital goods including machines and equipments.

On the other hand, Hungary proposed to import from India, besides the traditional items, substantial quantities of rubber hose pipes and tyres, chemicals, fittings, steel goods, locks and padlocks, vehicle components, various engineering and industrial consumer goods in the year 1972 and 1973.

Among the areas of future co-operation, there are two main fields : 1. Building up India's state-owned illumination and lighting industry—partly by providing shipments of finished products and partly by starting up co-operative manufacturing units, 2. The telecommunication industry, supply of microwave equipment to the Posts and Telegraphs Board for their Bombay- Madras- Trivandrum route, as well as joint manufacture of microwave equipment in India. Preparations for starting joint manufacture in various other fields are also in hand.

Hungary has granted credit facilities to India to the tune of Rs 250 million, since 1966. Economic ties between Hungary and India have existed even before World-War II. However, high-level contacts and series of mutual visits from both countries over the past years have helped to strengthen and further develop those economic ties.

The importance of international fairs assumes greater significance in this context, because they offer a common meeting place for all the world's foreign trade. Besides, they help immensely to built up relations between peoples, to expand their industries and raise their technical level on a global scale. The very fact that Hungary participated in ASIA-72 with its own pavilion crected over quite a big area will indicate the importance which the Hungarian government attached to the strengthening of its economic and political ties with the government and people of India.

Although those responsible for the management of foreign trade in Hungary are fully aware of the fact that increasing imports from the economically developing countries is a prerequisite for the expansion of trade with these nations, till recently Hungary imported their products through the intermediary of middlemen in the west. While western companies, relying on their rich experience in trading with the colonials have proved on many occasions to be more reliable suppliers than the

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businessmen or state-owned export companies of the countries which have just started on an independent statehood, and have at all times done their best to keep their clientele, as a result of concentrated efforts over the last few years, the Hungarian foreign trade companies have established direct relations with the producer countries under conditions which are in no respect less favourable than those granted previously by the traditional commission agents. No doubt, the risks the Hungarian enterprises undertake are greater but their representatives move with increasing ease on the markets of the "third world".

In recent years Hungary's imports have not only quantitatively increased but they have undergone profound changes in structure as well. The reason for the quantitative expansion lies in the increasing home demand. There are numerous import articles in which Hungary's home consumption, with the higher living standards, is steadily rising, which come from the developing countries exclusively. These include coffee, cocoa, bananas, dates, spices, citrus fruits and tea, of which latter Hungary has been buying a steadily increasing percentage of her requirements on the markets of the developing countries.

Also prime materials have a considerable share in this powerful rise in the volume of imports. Hungary buys prime materials in increasing amounts due partly to the country's special economic situation and partly because the markets of the developing countries supply these essential commodities in steadily growing quantities. To supply her factories Hungary needs more cotton, hides, latex, fertiliser, basic substances, non-ferrous metals and wood; to keep her modern animal husbandry going she requires more protein rich fodders both of vegetal and animal origin.

Hungary has recently begun to work, systematically and purposefully, both on enterprise and higher levels, rapidly to increase imports in finished goods and semi-manufactures, as a means to adapt the import structure to the demand of the developing countries. Imports in these lines moved at a low ebb in 1965; industrial finished and semi-finished goods accounted for 4 per cent of the total Hungarian imports. By 1970 this figure rose to more than 50 per cent and notwithstanding this steep upswing, the upward tendency continues in the first half of 1971, to achieve another 78.3 per cent rise over 1970, parallel with a revision of the import structure. As a result, consumer goods in 1971 represented six per cent of Hungary's imports from the developing countries.

Mongolia

Mr J. Khishge, Director of the Mongolian pavilion at the International Trade Fair welcoming the members of the press at the pavilion recently, began with a brief introduction to some aspects of the life of the Mongolian people and their achievements in the sphere of national economy and culture.

The Mongolian People's Republic (MPR), he said, has brought about cardinal socio-economic changes in all spheres of life since the People's Revolution of 1921. Having accomplished a successful transition from feudalism to socialist society, the MPR has been turned, in a short period, into a socialist country with a highly developed industry and agriculture.

At present 272 agricultural co-operatives and 34 state farms comprise the socialist agriculture of the country. Every agricultural co-operative has, on an average, 60,700 head of livestock, 760 hectares of arable land, an annual cash income of 2.3 million Tugriks (approximately Rs 40 lakhs) seven tractors and seven motor vehicles for its 1,200 members. Every state farm has, on an average, over 26,000 head of livestock, more than 13,000 hectares of arable land, 64 tractors and 28 motor vehicles.

Along with agriculture, the national industry is making rapid progress. Building up of light and food industries, mining and wood-working industries was undertaken on the basis of local raw materials to meet the country's requirements. In 1970 the share of industrial production was over 60 per cent of the combined output of agriculture and industry. Systematic growth of the factory and office workers real wages and constant growth of the public consumption funds are major indicators of the rising living standards. Every factory and office worker in Mongolia is entitled to security in old age, labour and health protection, free medical service, guaranteed organised rest, mother and child care and free education.

The new five-year Plan (1971-1975) for the development of national economy and culture of the MPR is to become a new important step in the completion of building the material and technical basis of socialism in our country.

From 1971 to 1975 the volume of foreign trade turnover is to increase by 35.6 per cent of the Republic compared with the previous five years—exports by 47.6 per cent, imports by 27.3 per cent. The main Mongolian export commodities are wool, cattle, meat and meat products, hides, leather articles, woollen fabrics, grain, furs and the products of the mining and wood-working industries.

The MPR is an active participant in international fairs and auctions where her goods, notably the famous Mongolian furs and leather and fur articles are very popular. Such furs as tarbagan, snow leopard, lynx, fox, wolf, badger, eormine, wild cat, polecat, squirrel, etc. are the most sought-after items in the world market. The MPR's participation in international exhibitions and fairs helps in developing international trade, in demonstrating the achievements and successes of the country's economy and also in expanding markets for quality Mongolian goods.

Zambia

Zambia's participation at Asia72 Trade Fair symbolises and will further cement the healthy trade and cultural relations, as well as the technical co-operation, that exist between this young African state and India. In addition, the Fair has given Zambia an opportunity to make further trade contacts with a nurmber of other exhibiting countries.

The exhibits in the Zambian Stand highlight industrial development in Zambia with particular accent on the copper industry in the country. There is a large model showing the mining and refining stages of the mineral which is important to the development of both Zambia and the world as a whole.

From its eight copper mines, Zambia produces more than a quarter of a million tonnes of refined copper a year. It is the third largest producer and the biggest exporter of copper in the world. Most of the copper is exported in the form of copper bars to about 30 countries including India. Other significant minerals produced by Zambia for export include cobalt, lead and zinc.

In the second section of the Stand, visitors would find some aspects of Zambian culture as represented by large masks and beautifully decorated traditional dancing costumes, which are used during one of the cultural dances called Makishi. The dance, with the acccompaniment of throbbing drums, wooden xylophones, singing and the clapping of hands, is performed at traditional ceremonies marking the coming of age of young boys in parts of the north-western province of Zambia.

Jammu & Kashmir

The Jammu and Kashmir Pavilion at the Asia 72 fair is traditional and unique in design and character. It is de-

signed on the pattern of house boats in Kashmir. The pavilion is one of the first to have been completed ahead of schedule. A cluster of houseboats with a colourful shikara in front of the pavilion site, depicts a familiar sight one comes across in the Dal Lake in Srinagar.

The space within the pavilion has been converted into display and sale counters. The State's scenic beauty has been portrayed with translites, landscapes etc. Among other things the pavilion reflects the State's advance made in different spheres of life and the heroic struggle it is making towards eradicating last signs of backwardness as a proud constituent of the Indian Republic. A specially designed counter for providing information on Kashmir, Jammu and Ladakh, the three entities of the state, and guides to help the visitors know various facets of it have also been provided. The story of development of culture, economy and new ventures launched are told through colour slides, the rich folk and classical music.

The entire structure of the pavilion is raised of wood. The Kashmiri decorative designs of Khatamband have been used for ceilings. The Khatamband ceiling is known for varied intricate designs. Only some designs of this have been used in the pavilion. These include Duzdangiroh and Hasht Phaloo both Persian names, the first meaning the design with 12 circles and the other the design with 8 aspects.

On stepping in the pavilion the spring action of wooden floor will give to visitors the feeling of going over to a houseboat.

Among the goods put in the pavilion handicrafts occupy the important place. The craftsmen of the State of Jammu and Kashmir have always maintained the distinction of having been able to offer something new without sacrificing traditional character. Kashmir papier mache, wood carvings, embroideries, carpets, numdas, chain stitch rugs, gabbas, costume jewellery, leather embroidery and other such crafts are there in rich colours.

Of special interest for the visitors will be display of manufacture of the famous 'Kani Shawl'. The Kani Shawl was introduced by the weavers from Turkistan who were brought by the king Badshah during the 15th century for this purpose.

Another factor of attraction is an exhibition of carpet weaving in Kashmir. The Kashmiri carpet manufacturing is very interesting. It has various processes of production.

Exhibits relating to games and fisheries, forests, horticulture, silk, products from small scale industries, minerals and sheep breeding, especially Marino wool sheep, in which the state offers rich potential, have also been put up.

BHEL

Bharat Heavy Electricals Limited, a public sector organisation, is the leading manufacturer of heavy electrical equipment in the country, as required for the generation of electric power, transmission and utilisation. With three, giant plants at Hardwar, Hyderabad and Tiruchirapalli, the range of manufacture includes large-size thermal/hydro-generating sets, power station boiler with auxiliaries, industrial turbosets and boilers, high speed turbo-compressors, extra high voltage air blast and minimum oil circuit breakers, large size AC and DC motors with associated control gears and also a wide range of high-pressure valves.

In BHEL's pavilion, actual equipment sophisticated components of and working models from all the three plants have been displayed in a proper sequence to present the full story of power generation, transmission and utilisation. At the entrance to the pavilion, there is a huge sculpture with a suitable audio-visual effect to convey that BHEL has the "Power to Control your World".

Amongst the important items on display, there is a waterwall panel from the Tiruchirapalli Boiler Plant, erected in front of the pavilion itself. This is the most important component of the present-day power station boilers. The exhibits from this plant include also axial as well as radial-fans, coal pulverising mill and the range of high pressure valves.

There is a complete 400 KV air blast circuit breaker manufactured at Hyderabad Plant in front of the pavilion. The other items on display from Hyderabad Plant include a boiler feed pump, one 1.5 MW back pressure turbine and one 33 and 132 KV minimum oil circuit breaker and also a set of intricate aluminium castings, which indicate the precision and the high quality of castings that can be manufactured in such plants. There is also a working model of 110 MW turbo-generator set.

The major display from BHEL's Hardwar plant, which is the largest of the three plants, is a complete 200 MW high pressure turbine rotor with blades, a few medium size AC and DC electric motors and a model of a hydro turbine.

There is also an auditorium inside BHEL's pavilion where colour films of about 10 minutes' duration in English and Hindi are being shown at regular intervals to provide a glimpse of the activities today at BHEL's plants and their plans for tomorrow.

MMTC

The Minerals & Metals Trading Corporation was set up about a decade ago to develop the export of India's mineral ores and to import and distribute some essential raw materials for the country's industry. Its objective has also been to serve as an effective instrument for the progressive nationalisation of foreign trade.

The Corporation's major achievement has been in the export of mineral ores which constitute iron, manganese, ferro-manganese and coal. The major item has been iron ore, constituting nearly three quarters of the Corporation's total export trade.

As a trading organisation, the Corporation has taken a broader view of its role and responsibility and encouraged and assisted the mining industry by participating in many of their developmental programmes. The Corporation is organised with more than half a dozen divisions each headed and run by proven specialists in their field.

The Minerals & Metals Trading Corporation Pavilion at the Asian Trade Fair seeks to give a broad prospective of the Corporation's role in national development and in encouragement of world industry which it does through minerals exploitation in export, and mineral and metal import for domestic industry. It also shows how minerals and metals have played a crucial role in the life of Man and the opportunity or peril they pose in the future.

The Minerals & Metals Trading Corporation Pavilion is a complex of three domes surrounded by an open ambience suggestive of the picturesque environment of mining areas. The first dome graphically depicts the universe and the relation of the earth and its warm interiors containing the minerals which provide the wealth of nation. The second dome depicts the various ores which are extracted by India. The third dome shows the role of MMTC in mineral development, transport, loading and shipping of ore — "operations from mine to open sea." It also shows the MMTC's operations in imports of minerals and metals and how they find uses in Indian industry, and ends with the role of minerals in the history of man.

A number of eminent Indian creators in the field of the arts have come together for the planning and execution of the Pavilion. The works include

symphonic music created for the Pavilion by the composer, Vanraj Bhatia, creative light effects by the specialist. Tapas Sen, sound by Nishi Nakra, sculptures by Sankho Chaudhry, montage-collage by Krishan Khanna, photographs by Madan Mahatta and K.C. Sonrexa, art works by Pammi Lal and the outer ambience by Satish Gujral.

The Pavilion has been designed by an architectural firm, Anand, Aptay and Jhabvala. The interior has been conceived and designed by Som Benegal. Contracts worth over Rs nine crores have already been concluded at the Fair site.

Khosla Pavilion

An area of 11,008 sq ft is occupied by Khosla pavilion with sophisticated equipment. In one Section is exhibited garage compressors ranging from 1 to 10 HP both single and double stage. Some of them will be seen in actual operation. In one corner of this Section is installed a hydraulic carlift which works up and down whenever desired with compressed air. Alongwith this car lift, there is a carwasher working to show the sturdiness and usefulness of this machine. Tyre inflation tower and lubrication equipment are also placed on one side. Khosla hand-operated hydraulic presses from 5 to 100 tonnes is also on display.

In the second section is displayed a variety of refrigeration compressors which are being made in collaboration with the famous British firm M/s. J&E Hall Ltd. These compressors have been standardised in India by several firms for installation in large air-conditioning plants, ship refrigeration and air-conditioning. In the third section the popular portable diesel compressors of capacity 160 cfm., 210 cfm, and 250 cfm, are on display. On request from visitors any of these machines can be demonstrated in working condition. They are the latest 1973 models incorporating all the latest features of compressor technology. These machines have got a variety of refinements including concentric valves, needle bearings and capacity controllers which regulate the speed of the engine according to the demand of the compressed air. These machines are of sleek design mounted on 2 wheel tubular trailor, very easy to manoeuvre along difficult roads. The pavilion also shows a portable electric compressor 210 cfm capacity which is very popular in projects where electricity is easily available.

In the fourth section is displayed HA type Crepelle horizontal balanced opposed air compressors, capacities ranging from 350 cfm to 1070 cfm with pressures upto 110 PSI. Also on show in HA models is a low pressure compressor capacity upto 1600 cfm at a pressure of 50 PSI. A high pressure compressor with a capacity of 300 cfm. at 250 PSI is also shown. An important feature of this section is a working model of sectional HA Crepelle compressor. Vistiors can see every part of this Crepelle machine in actual working conditions and can appreciate the design of this machine and the care that is taken to manufacture them. In another section is showing Crepelle HB horizontal balanced opposed air compressor with a capacity of 3,500 cfm, at a pressure of 150 PSI. This is the largest machine which has been manufactured in India so far by any firm. The machine weighs 12-1/2 tonnes it is a very creditable achievement for Indian industry.

Another section is showing smaller industrial air compressors single stage and two stage, capacities varying from 80 cfm to 350 cfm and pressures ranging from 10 PSI to 150 PSI.

Bharat Sugar Mills Limited

NOTICE

NOTICE is hereby given that the Forty-first Annual General Meeting of Bharat Sugar Mills Limited will be held on Friday, the 29th December, 1972 at 3.45 P.M. at 9/1,R. N. Mukherjee Road, Calcutta-1, for the following purposes:—

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1972.

2. To declare dividends.

3. To elect Directors in place of Shri K.K. Birla and Shri R.K. Bhuwalka who retire by rotation and being eligible offer themselves for re-election.

4. To appoint Auditors and fix their remuneration.

As special business:

5. To appoint a Director in place of Shri S.C. Roy who was appointed as an Additional Director of the Company by the Board of Directors and whose term of office expires at this Annual General Meeting under section 260 of the Companies Act, 1956 and in terms of Articles of Association of the Company, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:— "Resolved that Shri S.C. Roy be and is hereby appointed a Director of the Company."

6. To appoint a Director in place of Shri K.L. Dhandhania who was appointed as an Additional Director of the Company by the Board of Directors and whose term of office expires at this Annual General Meeting under section 260 of the Companies Act, 1956 and in terms of Articles of Association of the Company, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:—

"Resolved that Shri K.L. Dhandhania be and is hereby appointed a Director of the Company".

9/1, R.N. Mukherjee Road,
Calcutta-1, the 24th November 1972.

By Order of the Board,
S.N. GUPTA
Secretary.

Notes:—

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

2. Shareholders are requested to notify any change of address, failing which the dividend warrants will be posted to their addresses as registered with the Company.

3. The Register of members of the Company will remain closed from the 22nd December, 1972 to the 29th December, 1972 both days inclusive.

4. The dividends when declared will be payable to the registered shareholders as on the 29th December, 1972 or to their mandatees on or after the 15th January, 1973.

Explanatory Statement has been forwarded to the shareholders.

BOOKS BRIEFLY

Worker Participation in Management

Reviewed by
Academicus

Participative Management: K.C. Alexander; Shri Ram Centre for Industrial Relations and Human Resources, New Delhi; 1972; Pp 132; Price Rs 20.

Balanced Regional Development: Edited by T.B. Lahiri; Oxford & IBH Publishing Co.; Pp 154; Price Rs 18.

Focus on West Bengal: Samatat Book 1; Distributors—Oxford Book and Stationery Co., New Delhi; 1972; Pp 207; Price Rs 20.

Muslim Merchants—The Economic Behaviour of an Indian Muslim Community: Mattison Mines; Shri Ram Centre for Industrial Relations and Human Resources, New Delhi; 1972; Pp 136; Price Rs 20.

Essays in Planning and Growth: J.J. Anjaria (Edited by Vadilal Dagli); Vora & Co, Publishers Private Ltd, Bombay; 1972; Pp 181; Price Rs 15.

Participative Management makes an attempt to understand this widely acknowledged yet generally misunderstood concept of industrial democracy through participative management. This study was sponsored by the International Institute of Labour Studies as a part of "a comparative study in a number of countries of the working of institutions intended to provide for workers' participation in management, in order to see how such institutions may help or hinder the solution of major current and emerging social and economic problems." Dr. Alexander has taken two plants with roughly similar technologies and has made an attempt to identify the degree to which labour participation has been institutionalised as also the factors that have contributed to its success as measured by the accepted indices of organisational health. Since workers' participation in management is a subject which is both of academic and practical signifigance in the changing socio-economic situation in India, it would be instructive to know the findings and inferences drawn by Dr Alexander from his study.

Operationally a management was considered as participative, if it provided scope for workers to influence its decisions or to share in some of the management functions and prerogatives. According to the author the various procedures and mechanisms through which workers influence decisions of management, discharge managerial responsibility or enjoy managerial prerogatives are the basic components of the institution of participative management. According to him, participative management is to be understood in terms of "organisational processes rather than structures created to satisfy legal requirements."

It was hypothesised that an industrial organisation in which participative management was institutionalised was likely to have a greater level of organisational health and effectiveness than the one in which this was not the case. It was found that workers' participation in management was more effective in the English Trade Mills (ETM) rather than in Manorama Cloth Company (MCC—both pseudonyms). The management of the former recognised the majority status union as the sole bargaining agent and negotiated with it all matters pertaining to wages, welfare and working conditions. This institutionalisation of collective bargaining contributed to the development of relatively peaceful industrial relations climate in ETM where most of the workers and their leaders showed a favourable attitude towards management.

On the other hand MCC was owner-managed, had a negative attitude towards trade unions, did not recognise any of the unions and decided important issues such as bonus rates and wages either unilaterally or by entering into agreement with one or the other of the unions, without taking into consideration its representative character. According to the author, this practice contributed to the development of extreme hostility between the unions and the management. It also led to very accute inter-union rivalry creating a tense social climate in the mill. All this means that an industrial organisation in the management of which workers' participation was effective had a better industrial relations climate than the one in which such participation was absent.

It was further hypothesised that institutionalisation of participative management in an industrial organisation was contingent on the motivation of workers to partipation in management on the one hand and on the motivation of management to encourage workers' participation in management on the other. The author's examination shows that an exceptionally large proportion of the rank-and-file workers and most of the activists wanted to participate in management.

management's role

This means that assuming that workers in general want to participate in management, the success or failure of participative management in an organisation very much depends upon the attitude of the management towards it. It was further hypothesised that the propensity of workers to participate in management was contingent upon their status, their attitude towards management and trade unions as also the area in which opportunities for participation were provided. The author did find that the status of workers was significantly related to their propensity to participate in management. It was also found that workers' interest in participation in management improved with the level of their education. Because of the spread of education in the community, it may be said that the aspiration of workers to participate in management is likely to become widespread in years to come.

As regards forms of participation, it was found that workers generally preferred such forms of participation through which they could exert influence on decisions made by management either through collective bargaining or through joint decision-making.

What are the implications ? According to the author, with the widespread participation of people in political democracy, people and therefore workers are now less willing to accept inherited status, authoritarian rule and unilateral action on the part of those in authority. This has created the need for democratic approach in industrial organisation. Also, the new

worker is more educated, has higher income and shows greater concern for his wages and promotion. It is found that his higher education will lead to higher aspiration to participate in management. This desire on the part of workers to participate in management is likely to increase further with the establishment of more complex and technologically more sophisticated industries where worker's standard of education is likely to be higher. Also, due to favourable attitude of workers to trade unionism, it can be expected that an increase in the popularity of trade unionism is likely to accelerate the interest of workers in participating in management. Changing organisational structure of business and the changing character of management will also favour in future increasing labour participation in management. The author wants that the management should foresee the need and inevitability of labour participation in management. He suggests proper management education to popularise the philosophy of participative management.

Like other books, this publication by Shri Ram Centre is an excellent addition to labour economics.

REGIONAL DEVELOPMENT

Considerable amount of theoretical literature is being produced these days on regional development because of the realisation that more than 20 years of planned development in India has not succeeded in reducing regional economic disparities which on the contrary seem to be growing. Also, while there is talk about balanced regional development, there is also a school which does not believe in balanced regional development. There is therefore need for intensive discussion on this topic wherefrom a realistic approach can be evolved. *Balanced Regional Development* contains the papers read at a conference on balanced regional development organised by the Institute of Economic Geography in March 1972 at Calcutta.

There are a number of papers explaining the concept and strategy of balanced regional development. T.B. Lahiri has suggested possible approaches to balanced regional development. According to him, there is considerable polarisation in regard to location of industries at centres such as Bombay and Calcutta. In other states too the author finds similar agglomeration of industrial establishments. Though endeavour has been made in the direction of decentralisation of industries under the public sector investment programme, balanced regional development still remains an unrealised objective. This is because these public sector undertakings are mostly functioning in isolation and have not succeeded in creating an organisation of production complex around them. The author wants that the basic objective should therefore be balanced development which is not only an economic but a political necessity. And as the regions which are mostly backward are rural, the main approach should be through agricultural development, at least as a short-term measure.

reasons for disparity

According to C.S. Chandrasekhara reasons for regional disparities are three: (1) historical growth based on natural advantages, (2) non-uniform distribution of natural resources, and (3) high concentration of resources. According to him there is an apparent conflict between the goals of economic efficiency and regional equality. Since there are bound to be resource-rich areas and resource-poor areas, balancing, according to the author, could only be spoken of in the context of the average level of economic development and bringing areas which are well below the average to that level. U. Chatterjee wants that regional development plans should mean identification of possible new centres of development for mother-projects, either resource or need-based and scheduling of development of infrastructure for each of these growth centres.

K.N. Bhattacharya in his excellent article writes that the first task in regional development is to reorganise our approach to the concept of a region. According to him, a region has to be viewed as economic entity which may cut across the political or administrative boundaries of states and may have much less to do with the present linguistic boundaries. But the author makes it clear that balanced regional development does not mean equal development. It only means "the maximum utilisation of the potentialities of an area and thereby giving its inhabitants the full benefit of possible economic progress in relation to overall economic growth."

G.C. Mondal writing about area approach says that the concept of area approach to development emerges from the basic fact that areas differ from each other in respect of resources and socio-economic characteristics and requirements. This means that the magnitude and components of development projects will have to be different in different areas. According to the author, the area-approach imparts new significance to development planning. It facilitates adaptation of planning to specific problems of different areas. It provides a framework for harmonising micro and macro-planning.

The next part of the book contains a number of papers on case studies. These case studies cover the ecomomic development of Assam, of North-East India, of Asansol-Durgapur region and north Bengal as also development of tourist centres in some states.

However desirable balanced regional development may be, one however doubts whether with the federal set up in India with its rigid administrative boundaries and state and linguistic rivalries, regional planning in its proper sense would be a practicable proposition. What however is possible and can immediately be done is balanced regional development within each state. There is much scope for this and at least delineating regions within a state and formulating plans on the basis of regional resources and socio-economic background should be part of our future five year Plans. Also inter-state cooperation at least in respect of certain items such as development of inter-state river deltas or of forest or desert areas should be possible. Even if balanced regional development in this restricted sense is adopted, there is no doubt that not only will it reduce regional disparities to some extent but will in the long run accelerate the growth rate of the state economy and therefore also of the Indian economy as a whole.

WEST BENGAL

West Bengal is the problem state of India. Why? What is ailing West Bengal? How serious is the malady? What have been the causes of this ailment? Can West Bengal be 'reclaimed'? By what means?

Focus on West Bengal contains scholarly papers by a number of West Bengal thinkers analysing some of the important problems of West Bengal. What is more important, they have made an attempt to provide practicable solutions to the problems. Conventional analysis and remedies having failed in West Bengal, many of the authors have tried to look at the problems of West Bengal with a fresh angle and suggest what appear to be unconventional measures to solve the problems.

A. Das maintains that the primary factor blocking the economic development of West Bengal is the failure of the Calcutta Metropolitan Agglomeration to develop linkages with the surrounding rural areas. The consequence has been that the rural hinterland has failed in its turn to transform itself from a primitive to employment-oriented modern community. In the metropolitan area itself there is serious maladjustment in the relationship of the out-of-state entrepreneur group, the administrative-political leadership and the Babu dominated labour unions. Dr. Das has pleaded, to cure all these imbalances,

a new industrialisation policy which is different from the traditional one.

Writing about unemployment in West Bengal, S.K. Sen points out that in West Bengal in recent years frustrations from unemployment have reacted with volatile radical political ideologies. According to him, it is therefore surprising that there should be an enormous gap in information about the unemployment situation in West Bengal. As short term measure, Sen has advocated a shorter working week, earlier retirement and a number of such other steps. He feels that in the long run, unemployment problem in West Bengal can be solved only by basic changes in educational, recruitment and industrial relations policies.

According to P. Dasgupta agriculture in West Bengal can still absorb many times the present number of workers, if necessary agricultural reforms are carried out. According to him, an agricultural revolution is the only answer to the growing unemployment problem in West Bengal. Efforts to rejuvenate the ailing metropolitan region without changing its semi-colonial character will, according to Dasgupta, only result in greater misery for West Bengal. K. C. Sivaramakrishnan has maintained that the Calcutta development programme cannot be sustained in isolation. An improved Calcutta would only mean a further attraction to migration to it from the hinterland. The increased investment now being made in Calcutta Metropolitan Development can pay off only if the existing capacities can be more fully utilised with supporting agricultural development in the rural areas of West Bengal. N. De, an expert in management science, has analysed the causes of industrial unrest in West Bengal and has presented a detailed programme for improvement in industrial relations in the state.

river system

While D.K. Bose analyses the impact of the Haldia development project on West Bengal's economy, B. Mitra has shown how by scientific planning West Bengal's river system which at present is the cause of much sorrow, can be turned into a source of hope for tomorrow. S.Guha has shown how West Bengal's road transport is not only capable of opening up the interior but can also contribute in a big way to the solution of unemployment problem. He has given the outline of a feasible programme that should attract investment in road transport under private auspices proving to be a boon in this unemployment ridden state. D. Gupta has pleaded for proper incentives for investment to private investors as much depends, according to the author, on how the community will react to the concept of oint sector, the days of unfettered freedom of private entrepreneurship having long been past. N. Banerjee maintains that since West Bengal cannot hope to receive specially favourable financial treatment from the centre, she must now make an attempt to restore her own financial viability and must be prepared to tread hard path. West Bengal's taxing record is not exemplary and the author wonders why public services should be provided below their economic cost, endangering West Bengal's financial future.

Altogether, *Focus On West Bengal* is a remarkable book full of facts and fresh approaches and analysis as also eminently practicable solutions to various problems which have been afflicting West Bengal for quite some time. Now that there is some improvement in the law and order situation in West Bengal, the political leaders and administrators would do well to ponder over the analysis of the problems and policies suggested by various scholars, administrators and experts from West Bengal who have the cause of prosperous West Bengal at heart.

MUSLIM CONTRIBUTION

Though Muslims constitute the second largest religious community in India and an important voting political bloc and make quite considerable economic contribution, yet social scientists—both Indian and foreign—have given very little attention to this aspect of Muslims' economic contribution. In *Muslim Merchants—The Economic Behaviour of an Indian Muslim Community* Mr Mines analyses the economic behaviour of a Tamil Muslim community at Pallavaram just on the outskirts of Madras city. The author has carried out the analysis during the years 1967-69.

In this study Mattison Mines has made an attempt to demonstrate the close interrelationship that exists between the economic behaviour of merchants, in particular Muslim merchants, and the social factors associated with the merchant's way of life including his religion, his relationship with others, his world view and aspirations.

The author found that several features characterise the general constitution of the bazar at Pallavaram. Economic competition is not perfect nor is entry into business. The author found that entry into business is limited by competitive disadvantages and by the limited nature of consumer demand which is determined by the needs of Pallavaram's predominately poor coolie population. Other factors restricting entry include the high cost of loans, difficulty of establishing credit facilities with wholesalers and government restrictions on pricing. However for the smallest merchants dealing in limited number of goods such as agricultural products, competition is more nearly free. Once a merchant is established in bazar, credit facilities available to Muslim merchants are very nearly the same as those available to merchants of other communities.

luxury of education

Another characteristic of the bazar at Pallavaram is the limited need foreducation. Formal schooling is not generally required and it was found that Muslim merchants do not value education positively as a means towards advancing their economic position. They consider education as a luxury and at best investment in prestige. A young Muslim merchant gains experience while assisting his relatives in their shops or while serving as hired employee and not in school. Employment is viewed as the only training necessary. It is while conducting business that daily, weekly, monthly and yearly cycles of demand and of seasonal changes are observed directly and at first hand. It is while serving in business that the new entrant learns the sales patterns and in what to specialise.

In Pallavaram the Muslim merchants are seen to operate their businesses with the assistance mostly of the members of their own families or failing that with trustworthy friends from the same community. This is because the Muslim Tamils are, according to the author, found to be distrustful of purely contractual business relationship which according to them are not enough to keep employees loyal and trustworthy. The Muslim employees are not paid a cash salary, although they may receive some pocket money. They are fed and clothed by the Muslim employer and trained informally in the management of business. The employer eventually helps the employee to set up his independent business. This system of employment, according to the author, fits well with the egalitarian ideology of Islam.

The Muslim Tamils' economic success reflects their economic adaptation to the bazar. The fact that the Muslim shopkeepers as a group are relatively prosperous helps to explain their lack of interest in education and their strong attachment to business as a desirable occupation.

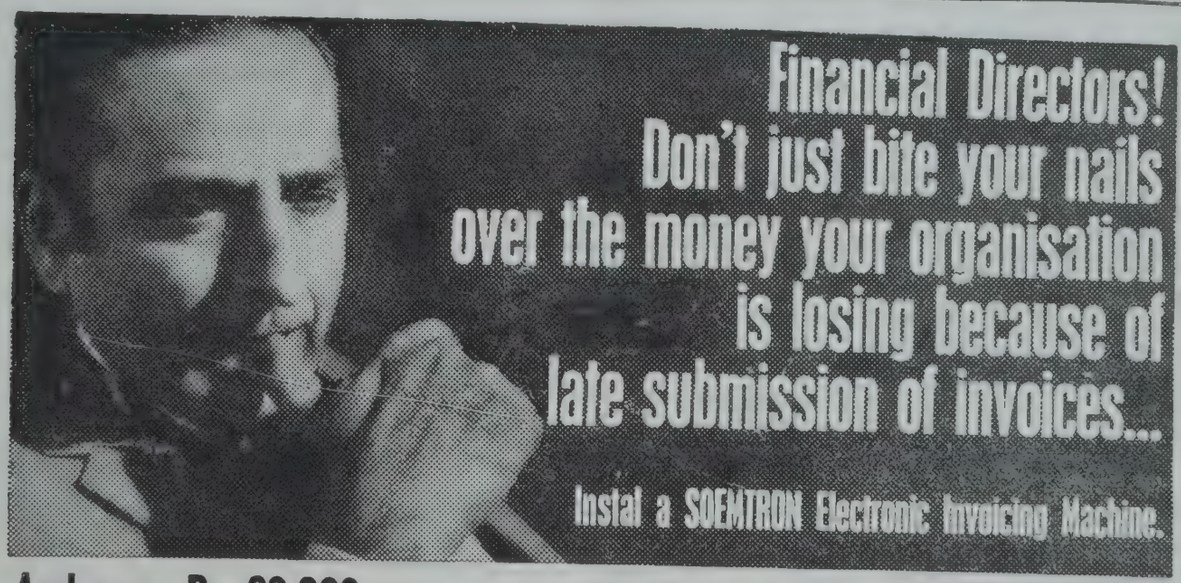
Most of the merchants reside very close to their shops and form a community. They form a social clique which generally excludes non-merchants as also merchants from other communities. Key members of the two panchayat boards within whose jurisdiction the bazar lies are clique members and are leaders of local DMK and Congress party organisation.

A merchant is found to achieve status

and a degree of prestige within the bazar neighbourhood through his economic success, although several other factors also contribute such as religiousness and personal character. Further, success ensures for a merchant a place in the network of social ties involving leadership, economic reciprocity, friendship and local and state politics.

According to the author, it is this very success of the Muslim Tamils as merchants that has inhibited their involvement in industry. The apparent reasons for this pattern are inherent in the contrasting nature of the bazar and industrial economies. Muslim Tamils have adapted themselves to the bazar economy and do not want to risk their prosperity by attempting to switch over to the industrial economy. Also since most Muslim shopkeepers lack technical know-how due to their lack of interest in education, this also becomes another inhibiting factor to Muslim merchants' entry into the industrial field not only in Pallavaram but in the whole of Tamil Nadu.

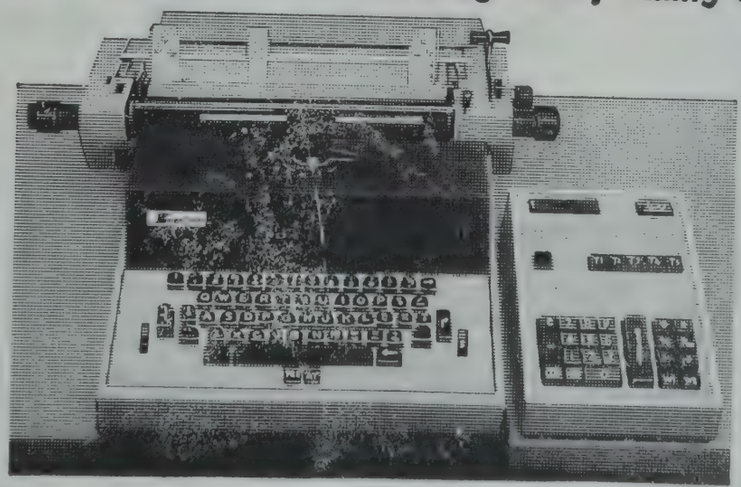
According to the author, the evidence in this study does not suggest that social factors act as deterrents to rational economic behaviour. Caste taboos and traditionalism are not very strong influences on economic behaviour. Today in Pallavaram there are leather companies operated by Brahmins (something which was unthinkable some years ago) and shopkeeping is open to all castes and communities. Muslim moneylenders and Muslim vendors of intoxicants operate in Pallavaram undisturbed and maintain regular social relationship with other merchants as well as with their kinsmen.



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The point to be noted is that among merchants 'business is business' and a good business is a successful one and not necessarily the one that is socially desirable.

It is found that the Muslim community in India is generally sticking to only certain occupations and businesses such as shopkeeping in Pallavaram and weaving in Bhivandi and Malegaon in Maharashtra. Though it is satisfying to know from this study by Mines that this occupational immobility is not due to social or religious injunctions in the case of Muslims, it is yet necessary to undertake similar studies analysing the economic behaviour pattern of the Muslim community in India. It is only such studies that can provide firm basis on which to base policies that would open up other economic avenues to this second biggest community in India. This would mean a most important step in the direction of national integration of the two major communities in India. Though rather superficial, Mattison Mines has provided a model for similar but deeper studies in this field which is entirely neglected so far by scholars from all communities including Muslims themselves.

PLANNING AND GROWTH

J.J. Anjaria was always a perspective writer and it is always a pleasure to read his writings. The quality of his writing was seen even in one of the earliest books that he wrote (along with M.B. Nanavati), namely *The Indian Rural Problem* which became a classic for the graduate classes of the Indian universities. For long Anjaria was directly concerned with the formulation and implementation of our five-year Plans and therefore he could bring to his writing an insight not generally found among the 'outside' writers. He could also see things beyond which generally is not the case with majority of authors who are swayed by the temporary ups and downs in our social and economic life. Though *Essays In Planning and Growth*, ably edited by Vadilal Dagli, contains many articles and speeches written and delivered during 1960s, the analysis of the problems and of the policies followed then is still of significance in spite of the topicality of the issues with which the author deals. It is on account of this that among the vast literature on Indian economic planning, this book by J.J. Anjaria clearly belongs to the literature of the highest quality.

Speaking about the framework for planning, Anjaria has concluded that "the upward pressures on prices and costs must at no stage be allowed to go so far as to necessitate far-reaching semi-permanent price and distribution controls and secondly that as soon as any price control is imposed, steps should be taken simultaneously to increase supplies by suitable adjustment of production incentives so as to prepare the way for the timely elimination of those controls." It is obvious that this approach is relevant for all the future Plans also !

Speaking about the strategy of economic development, the author has analysed the significance of the size of the five year Plans (i.e. the total developmental outlay), the pattern of investment, the techniques of resource mobilisation, the policy framework for the Plans (i.e. the role of market mechanism, scope of controls and licensing, broad tenor of fiscal and monetary policies, etc.) and the extent of reliance on foreign aid. The author has analysed the evolution of strategy evolved for the three Plans with reasons thereof and has warned that "any strategy, however carefully drawn out, will work only so long as there is a basic unity of purpose in the community and a broad working consensus on the approach to vital economic and social issues. "The party in power should take note of it and try to get the cooperation of other political parties in the country, if the Plans are to succeed. Writing about the growth patterns of Indian economy, the author has emphasised that "whatever the temporary setbacks in the cause of development, the dynamism gained by the Indian economy and the lines along which the growth process is being worked out and direction warrant the hope that India's 'middle path' in development planning will deliver the goods and set a new pattern."

Anjaria's articles on the necessity of stepping up the rate of investment, and on the necessity of working out an integrated price policy are worth careful reading even today. He has written authoritatively on the new dimensions in central banking which in India has positively become in recent years development-oriented. The author's essay on Gandhian economic thought is classic and brings out the strong and weak points of the Gandhian system of economy with an academician's objectivity and sympathy of a broad minded person. The book is full of wise pronouncements born out of maturity both as an academician and as an administrator.

Having read the book one is convinced that J.J. Anjaria was, as the editor has aptly pointed out, essentially a man of reason who at the same time saw the bounds of reason. In matters of economic policy and planning, it would be a mistake to classify Anjaria as a liberal or a socialist or a gradualist. He believed in avoiding extremes and in following the middle path. The book deserves to be read and re-read for the mature wisdom it contains.

Centre's Role in W. Bengal

Reviewed by
R.J. Venkateswaran

Agony of West Bengal: A Study in Union-State Relations; (Second Enlarged Edition); Published by New Age Publishers (P) Ltd.; Pages 170; Price Rs. 19.50.

IN THIS book, Mr Ranajit Roy, who is the Chief of Bureau and Political Correspondent in Delhi of the *Ananda Bazar Patrika* and *Hindustan Standard*, examines the economic and political relations between the government of India and the government of West Bengal since the attainment of independence and points out how the progress of this state has been severely retarded due to the policies adopted by the centre. He asserts that not only West Bengal but the other eastern states of Assam, Bihar and Orissa have also suffered much by the discriminatory attitude of the central government. He analyses the policies of the centre in relation to taxation, public finance, prices, raw material supply, foreign collaboration, export, import, refugee rehabilitation, and recruitment to the army, and explains how their implementation has denuded West Bengal of its vast wealth for the benefit of the other states.

The book is a collection of articles that had appeared in the newspapers with which Mr Roy has been connected. There is, therefore, a lack of continuity and a great deal of repetition of various arguments. Mr Roy has tackled his theme from the emotional angle rather than from the point of view of an objective journalist. There is no doubt that the problems of West Bengal have not received the sympathetic attention from New Delhi in spite of the fact that this state has always occupied a strategic place in the country's defence and economy. But it is difficult to agree with Mr Roy that the neglect of West Bengal has been brought about deliberately by the government of India.

In a federal constitution, it is natural that the constituent states should have some grievance or the other against the central government. In the case of West Bengal, the difficulties of the people have become acute due to partition and its consequences. But if only her political leaders had conducted themselves with a sense of

responsiblity and the people at large had also shown some enterprise and initiative, the state surely would have prospered even if the central government had wanted to follow a policy of drift and discrimination.

The economic policies of the central government are influenced and determined mainly by the union cabinet, by Parliament, by the central secretariat, as well as by the ruling party. If therefore certain central policies have not been favourable to West Bengal, part of the responsibility should go to those who have represented West Bengal in these bodies especially in the cabinet and in Parliament. Mr Roy himself admits this to some extent. He says on page 91 that the representatives of West Bengal in the union cabinet have not been able to make their influence felt. To quote his words: "Many a one from West Bengal has adorned the central council of ministers since 1950. The preoccupation of most of them was to keep themselves on the job by fawning on those who wielded real power in Delhi. They lacked political backing in their own state, which acted as a deterrent to them to their functioning as ministers, Quite a few of them became play-things at the hands of their more determined colleagues and, worse, of their ICS secretaries. West Bengal went without a voice in the cabinet. The centre formulated and implemented refugee rehabilitation, economic, financial and other policies which have brought the state where she is today".

role of MPs

Mr Roy also has been critical of the role of the MPs from West Bengal in not safeguarding the interests of the state. He says: "The West Bengal government is unique in that, whether under the Congress or under the United Front, it never thought it necessary in all the twenty years of the Constitution to brief the state's MPs as a whole on any of the state's problems and needs. The West Bengal MPs of all parties have not met together even once to see if they can press the state's case unitedly in Parliament. Irrespective of party affiliation, their role has been most inglorious in Parliament. With a few honourable exceptions, they have found vile inter-party fights and shameful mutual attacks more engrossing them rising above petty partisan interests and joining hands to press the state's case."

Is it then fair to suggest that West Bengal has suffered solely because of the hostility of the central government? Mr Roy says that more industries have been set up in Maharashtra than in West Bengal in the recent years. But does this necessarily prove that the centre is discriminating against West Bengal? What is New Delhi to do if it does not receive sufficient number of applications for industrial licences from West Bengal? Similarly, the centre is blamed for the relatively small outlay on West Bengal's five-year Plans. Here also, the centre could not be entirely blamed because it could not provide more funds for West Bengal when the latter had not preposed sound schemes suitable for inclusion in the Plan. On the other hand, there have been many instances when the West Bengal government had to surrender the funds allotted by the centre because of its inability to use them effectively. It is only after Mr Siddhartha Shankar Ray became Chief Minister that West Bengal has begun to give some attention to planning by setting up a Planning Board and by toning up the administration.

invidious comparison

Mr Roy compares the treatment given by the central government to the cotton and jute industries and points out that the latter has been purposely neglected because of New Delhi's dislike of West Bengal. He does not seem to appreciate that the problems and prospects of these two industries are entirely different. It is not correct to say that the cotton industry has been pampered while the jute industry has been allowed to deteriorate. The fact is that neither of the two industries has received adequate and timely attention of the government. In both industries, the process of modernisation has been disappointingly slow. The government has also failed to pursue any vigorous and imaginative policy to improve the productivity of raw cotton and raw jute.

Mr Roy says (page 39) that jute and tea are net foreign exchange earners, for "very little or nothing has to be imported to keep them going". At the same time, he suggests the introduction of import entitlement for jute and tea exports on the same basis as for cotton textiles! Mr Roy's argument seems to be that since Maharashtra industries are given incentives like import replenishments, West Bengal's industries also should get the same. Otherwise, it would amount to discrimination!

Mr Roy makes some other specific suggestions for improving West Bengal's economy, such as equalisation of the prices of certain industrial raw materials, introduction of state trading in jute, and dispersal of headquarters of all financial institutions from Bombay to the capitals of other states, preferably the backward states. But Mr Roy has not made out a convincing case in support of his arguments. For instance, how exactly will the dispersal of the headquarters of all financial institutions from Bombay to the capitals of backward states help the latter? What the backward states need urgently are infra-structure facilities like electricity, roads, communications, and water supply. Mr Roy wants the modification of the licensing system to ensure "that ministers and officials are unable to pull strings to subserve the interests of particular states to the detriment of the interests of other states and the country". But he has explained how this is to be done.

While Mr Roy has been very critical of the role of the government of India in regard to West Bengal, he does not seem to have a good word to say about what the centre has done to save this state from anarchy. Was the prolonged neglect of the city of Calcutta due to the machinations of the centre or was it caused by the inefficiency of the state government and the Calcutta Corporation as well as by the indifference of the citizens? The author does not mention about the formation of the Calcutta Metropolitan Development Authority and the huge programme it is implementing, estimated to cost over Rs 150 crores. The CMDA owes its origin mainly to the initiative taken by the government of India to save the country's largest city. The government of India is also contemplating to set up in West Bengal several large projects, including the petro-chemical complex, a shipyard and a free trade zone in Haldia. It is only fair that Mr Roy should have acknowledged at least briefly what the centre has done and is doing for the improvement of Calcutta and West Bengal.

trite complaint

Mr Roy complains that other states have prospered at the expense of West Bengal. But this has not been a one-way traffic. The other states have provided a ready market for West Bengal's goods and raw materials for her industries. Millions of people from other states have contributed to the wealth and welfare of West Bengal in various ways and continue to do so.

The educational system of West Bengal has been in utter chaos in the recent years. No one has suggested that the central government's policies are responsible for this. Mr Roy has not dealt with this aspect. But it is obvious that so long as political parties continue to meddle with education at every stage, West Bengal's problems of unemployment will defy solution.

Though Mr Roy's arguments have not been always correct or convincing, he has

done a useful service by highlighting the major problems confronting one of the most important states of India. Some of West Bengal's grievances mentioned by him may be only of a sentimental nature. Even so, it is the duty of the government of India, Parliament, as well as of public opinion to consider them sympathetically, and to create such conditions as will help West Bengal to occupy once again a place of prominence in the country's national life in many fields.

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Educated Unemployment in India (Problems and Suggestions) : J.P. Saxena; Commercial Publications Bureau, A-2/100, Safdarjung Extension, New Delhi 16; Pp 194; Price Rs 20.

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The ECE Region in Figures: Prepared by the Secretariat of the Economic Commission for Europe; Published by United Nations; Pp 94; Price US $ 4.00.

Investment in Human Resources and Manpower Planning : Papers presented to the Eighth Session of Senior Economic Advisers to ECE governments; Published by United Nations; Pp 165; Price US $ 3.00.

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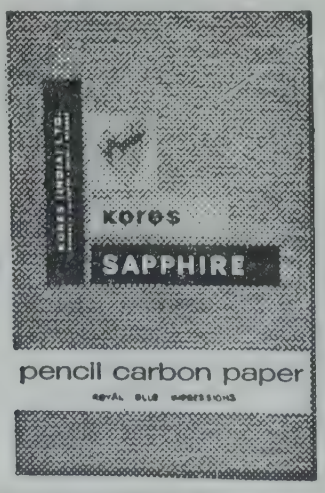
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TRADE WINDS

Foreign Investment

THE TOTAL foreign private investment in India at the end of March 1971 was estimated as Rs 1,319.7 crores, the Finance Minister, Mr Y. B. Chavan, told the Rajya Sabha recently. The firm figure at the end of March 1969 was Rs 1,252.8 crores while estimates for the year ending March 1970 and March 1971 were Rs 1,289 crores and Rs 1,319 crores, respectively. Asked whether the government would ban foreign companies from manufacturing consumer goods such as soaps, toothpaste and lipstick, on which they were repatriating large profits, Mr Chavan stated that it was a suggestion for action.

Indo-Soviet Trade

On the conclusion of trade talks which took place in New Delhi between Trade Delegations of India and USSR from November 13-25 1972, a trade protocol for 1973 was signed, which envisages a trade turnover of Rs 410 crores between the two countries during 1973. The protocol also envisages a 15 per cent step-up in India's exports to Soviet Union in 1973 over the ancipated level in 1972. Besides exports of various traditional commodities such as deoiled cakes, cashew kernels, tea, coffee, spices, tobacco, cotton textiles, jute manufactures, handicrafts etc. from India to USSR, there are a number of engineering and non-traditional items, including consumer goods, such as, ready-made garments, linoleum, garage equipment, electric motors, storage batteries, power cables, wire ropes, dyestuffs, detergents, hand tools, cosmetics, surgical instruments vacuum flasks, footwear, cigarettes etc. in the trade protocol. The principal items of import into India from the USSR during 1973 will be plant and machinery, petroleum products, industrial raw materials such as asbestos, zinc, nikel, copper, palladium fertilizers, newsprint, refractories etc. besides components, spares and raw materials for Soviet-assisted projects. Views on matters of mutual interest for the purpose of expanding and diversifying trade relations between the two countries were also exchanged.

Trade with East Europe

Addressing the National Seminar on Trade with East Europe recently, the Foreign Trade Minister, Mr L. N. Mishra, stated that co-operation between India and the East European countries can take new forms such as establishment of joint companies for designing, construction and production purpose in the developing countries as well as for joint marketing efforts. Emphasising that "wider areas of complementarity" could be developed between India and the East European countries, he added that that in the very immediate future, conversion deals in areas such as woollen textiles and knitwear, automobile ancillaries, nuts and bolts, can "trigger off" the fusion of our planning process with the East European countries.

Mr Mishra pointed out that the bilateral trading relationship between the East European countries and the developing countries has been a dynamic factor in the economic advancement of the third world. The choice between bilateral and multilateral payments mechanism is not arbitrary. The choice depends on the level of the economic development, international competitiveness of the interested countries and their overall economic policies. Within this framework, direct bilateral raltions have promoted not only commercial transactions but have acted as vehicle in quickening their pace of economic, scientific and technological advancement.

UN Meet of Tax Experts

Tax experts from eighteen countries are meeting in Geneva from December 4-15 to discuss a suitable pattern of tax treaties between developed and developing countries. Eight of the experts are from developed countries and ten from developing countries, including India. The Indian expert is Mr R. D. Shah, Chairman of the Central Board of Direct Taxes. The *ad-hoc* group of experts on tax treaties was set up by the Secretary-General of the United Nations in 1967. The group was assigned the task of formulating guidelines and techniques for tax treaties that would fully safeguard the revenue interests of both developed and developing countries.

Pfizer's New Drug

Pfizer has announced the introduction abroad of a new oral antibiotic, "Geocillin", for the treatment of urinary tract infections. The new preparation, which is a discovery of Pfizer, is a derivative of carbenicillin, a semi-synthetic penicillin with a unique spectrum of antibacterial activity. The new penicillin represents an extension of oral treatment for chronic and acute infections of the upper and lower urinary tracts, since it is the only oral urinary tract penicillin effective against the three organisms which are responsible for nearly 90 per cent of all urinary tract infections.

Forum of Shareholders

A memorandum was submited recently by Mr M. C. Bhandari, President, National Forum of Shareholders, to Mr Raghunatha Reddy, union Minister for Company Affairs suggesting various measures to be immediately taken to protect the interests of minority shareholders. These suggestions were based on discussions and recommendations of the All-India Seminar on "Shareholder's Democracy" held in Calcutta on November 11-12, 1972 under the auspices of the forum.

Bank Depositors Meet

Presiding over the annual general meeting of the All India Bank Depositors Association in Calcutta recenty, Mr D.N. Patodia stated that bank services after nationalisation had deteriorated to such an extent that banks were even neglecting their statutory duties. Frequent strikes and work stoppages were seriously affecting banking operations holding the country's economy to ransom. It was high time necessary steps were taken to remedy the situation, he suggested. Apart from normal clearing houses, standby arrangements should also be there either by setting up an independent clearing house or an emergency cell to handle bank clearing in the event of strikes, he added.

Indo-Italian Trade

Discussions have concluded in New Delhi between the delegations of Italy and India on expansion of Indo-Italian commercial relations. The two sides have agreed that considerable scope existed for a substantial increase in Indian exports to Italy, both in traditional and non-traditional items, by using various techniques including technical co operation, market research, exchange of experts and direct contacts between the leading trading organisations, particularly those from the public sectors of the two countries. Very interesting prospects have also been identified in selected sectors of industrial collaboration involving Italian technical and or financial assistance in joint ventures between enterprises of the two countries, especially in export-oriented industries, whose production could be particularly tailored to suit the needs of the Italian market. These techniques are also expected to result in an

increase of Italian exports to India, especially where sophisticated machinery and equipment would be required for setting up of export-oriented industrial ventures designed to export their production to Italy and selected third countries. The two delegations favoured the conclusion of a formal agreement on Indo-Italian Commercial Development Programme between the governments of India and Italy, with the object of promoting trade and industrial collaboration between the two countries.

The Italian economic delegation was led by Dr Armando Fracassi, Director-General in the Ministry of Foreign Trade of Italy.

Indian Investment Centre

Mr G. L. Mehta, Chairman, Indian Investment Centre (IIC) observed in his statement at the annual general meeting held recently that union government's policy in respect of foreign private investment has become increasingly selective and the emphasis now was more on technical collaboration rather than pure investment. The IIC continued to assist joint venture proposals. The number of enquiries relating to foreign investment and collaboration received by the Centre in its offices at Delhi, New York, Dusseldorf and London had increased. An important activity of the Centre, Mr Mehta stated, was the assistance rendered to Indian entrepreneurs desirous of setting up joint ventures in other countries. During 1971-72, the Centre handled 77 such enquiries.

Mr Mehta mentioned that an Entrepreneurial Guidance Bureau had been set up in the Centre with a branch office in Calcutta to guide and assist entrepreneurs intending to set up industrial units in the small and medium scale sectors. Another activity of the Centre mentioned by Mr Mehta in his statement related to the seminar on "World Partnership in the Second Development Decade" organised jointly by the Centre and the Indian National Committee of the International Chambers of Commerce in December 1971. An Indo-French standing committee had been set up last year. Three sub-committees had been constituted to deal with French joint ventures in India, trade promotion between India and France and Indo-French joint ventures and consultancy work abroad. With a view to exploring the possibilities of investment and technical collaboration with India, delegations from foreign countries such as Japan, France and the UK. visited India during 1971-72.

Coal to Bangladesh

A long-term contract for the supply of coal and coke worth about three crores rupees was concluded recently. Mr C. R. Das, Director, on behalf of the MMTC and Mr Shafiullah Khan, Coal Controller, on behalf of Bangladesh signed the contract. According to the trade plan provision, MMTC is to supply coal to Bangladesh valued at four crore rupees, out of which a contract for the supply of coal worth about Rs 50 lakhs was concluded earlier in June, 1972. The total quantity will be supplied by the end of July, 1973.

Railway Axle Boxes

The union government desires to encourage creation of additional indigenous capacity for complete railway axle boxes fitted with either spherical or cylindrical or tapered roller bearings for use of the Indian Railways, as the existing capacity is considered inadequate and does not cover the full range of axle box requirements. Applications in the prescribed form are accordingly invited from intending entrepreneurs who wish to set up this capacity either by installation of a new unit or expansion of the existing unit or expansion by way of manufacture of new article, as the case may be. Information in regard to the details of the requirements of Indian Railways for these axle boxes may be obtained by the intending entrepreneurs from the Joint Director (Development), Ministry of Railways, Railway Board, Rail Bhavan, New Delhi. All applications for grant of industrial licences, if they are not otherwise exempt from the provisions of the Industries (Development & Regulation) Act, should reach the Secretary, Ministry of Industrial Development (Department of Industrial Development—CLP Section), before January 15, 1973, and should be self-contained, giving full details of phased manufacturing programme (if any), requirements of both imported/ indigenous capital equipment, raw materials and salient features of foreign collaboration, if any. In case entrepreneurs do not require any imported capital equipment or imported raw materials exceeding the prescribed limit for the purpose of registration, they are requested to submit their scheme for registration in the appropriate application form to be used for this purpose. Applications for registration should be addressed to the Directorate General of Technical Development, Udyog Bhavan, New Delhi. Such applications should also be sent before January 15, 1973. An indication as to whether they propose to manufacture the rollers bearings by themselves or they are going to obtain from other indigenous manufacturers or through imports may also be indicated in the application while furnishing full particulars.

Non-Banking Companies Deposits

With effect from January 1, 1973, the minimum period for which the non-banking, non-financial and financial companies other than hire-purchase finance companies can accept deposits will be reduced to six months from 12 months at present, and the non-financial companies requiring funds for meeting their seasonal needs will be allowed to accept deposits for a period of three months upto ten per cent within the existing ceiling of 25 per cent of the total paid-up capital and free reserves. These changes have been announced by the Reserve Bank through two notifications further amending the Reserve Bank's directions of 1966. The other more important changes affected are as follows: The term "Free Reserves" will include any reserves for development allowance created under sub-section (3) of section 33A of the Income-tax Act, 1961. The money received by one company from another will be excluded from the definition of the term "deposits".

The exemption of mutual benefit financial companies from the purview of the Reserve Bank's directions will cover only those companies which accept deposits from their members and which are notified by the central government under section 620A of the Companies Act, 1956. The deposits received from "associate members" who are not registered as holders of shares in the companies will not, however, qualify for exemption from the prescribed ceiling for deposits. The companies holding deposits in excess of the prescribed ceiling solely as a result of the new amendments will have to regularise their position before December 31, 1973.

Loans received from any director of a company will continue to be exempted from the regulations. The exemption will, however, be available only if the director concerned declares in writing that the money represents his own funds and that it has not been acquired by him by borrowing or accepting deposits from any other person. With effect from April 1, 1973, companies can receive deposits (or renew deposits) only through applications in writing obtained from the intending depositors on forms which must contain particulars relating to its management, business, profits, dividends, etc., as required to be furnished in advertisements soliciting deposits from the public.

Talcher Thermal Power Station

The Planning Commission has approved the scheme for extension of the Talcher thermal power station in Orissa for inclusion in the state's fourth five-year Plan. The new

thermal plant to be commissioned during 1977-78, will be tied to the Orissa Grid along with the existing units in operation. The scheme estimated to cost Rs 38 to 40 crores involves the installation of two thermal generation sets of 110 MW capacity each, together with the boilers and accessories and other appurtenant facilities. The extension scheme is based on supply of coal from the new Jagannath mine of the Talcher coal fields, and the coal will be transported from the mine to the station over belt conveyors. The estimated requirements of coal will be about 0.72 million tonnes per year. Water required for cooling towers and boiler feed water are to be obtained from the Brahmani river. The supply of plant and equipment for the extension scheme will be from indigenous sources.

Cement Industry

At a meeting of the high officials of various state governments of Eastern zone, Railway officials and cement manufacturers held at Calcutta recently, Mr. C. Balasubramaniam, Cement Controller and Joint Secretary union Ministry of Industrial Development, observed that the cement industry should immediately be declared as 'priority industry' by the various states. The present shortage of cement was mostly due to the power cut imposed by various states, and as it adversely affected the manufacture of cement, which in turn hampered the construction of various important government projects. He requested the various state officials to take up this matter with their respective state authorities and to see that the cement industry is exempted from this power cut. He emphasised that the state governments should take necessary steps to ensure proper and equitable distribution of cement under free sale category, which alone can stop the alleged malpractices amongst the stockists.

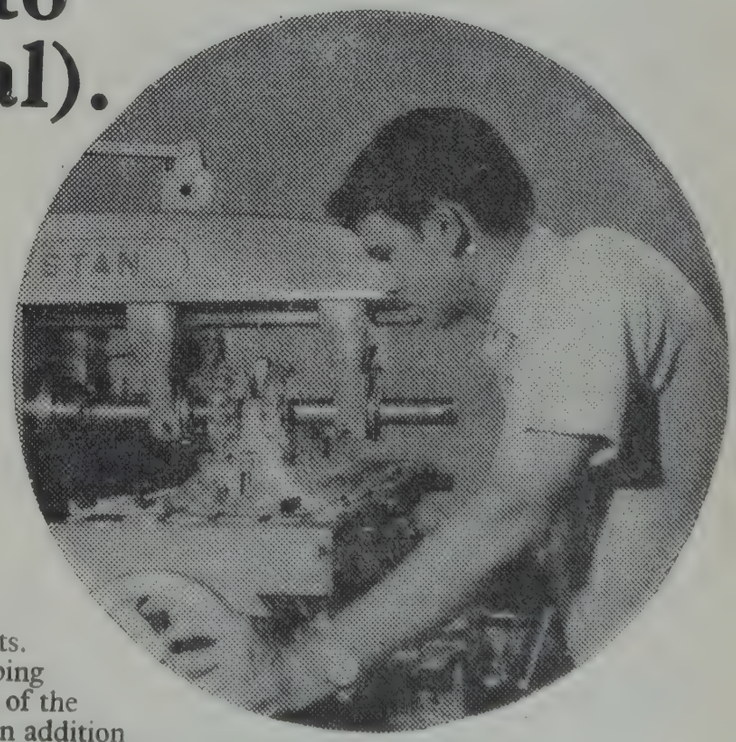
Cotton Output

With an area of 7.8 million hectares under cultivation, this country is the largest cotton grower in the world. In 1971-72 the cotton production registered an increase of about 50 per cent by touching a new record of 6.5 million bales (of 180 kg each), as against 4.5 million bales in 1970-71. The average yield of cotton has increased from 87 kg per hectare in 1950 to 123 kg hectare by 1970.

A new variety of cotton, "Hybrid-4" gives a yield ranging from 250 to 500 kg per hectare as compared to the average yield of 160 kg per hectare of other varieties. An Intensive Cotton District Programme has been taken up in six pre-dominantly irrigated cotton districts and seven rain-fed cotton districts, which will produce an additional 4.8 lakh bales of cotton valued at Rs 60 crores. The present annual consumption of cotton by the Indian cotton textile industry, which is the second largest in the world, is about 6.2 million bales, valued over Rs 500 crores.

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The Shamrao Vithal Co-operative

Balance Sheet as

As on 30-6-1971	LIABILITIES			As on 30-6-1972
Rs			Rs. P.	Rs. P.
	SHARE CAPITAL:			
25,00,000	(i) Authorised Capital/: 1,00,000 Shares of Rs 25/- each			25,00,000.00
7,58,600	(ii) Subscribed Capital/: 34,194 Shares of Rs 25/- each			8,54,850.00
7,58,600	(iii) Amount Called and paid up on 34,194 Shares of Rs 25/- each			8,54,850.00
	Of (iii) above, held by			
	(a) Individuals	8,54,850.00		
	(b) Societies	NIL		
	2. RESERVES AND OTHER FUNDS:			
	(a) *Reserve Fund (Statutory)*:			
	Balance as per last Balance Sheet		5,69,177.81	
	Appropriation from P & L. A/c		56,000.00	
	Admission Fee		3,795.00	
5,69,178	Other credits		150.00	6,29,122.81
	(b) *Depreciation on Securities*:			
	Balance as per last Balance Sheet		1,22,700.00	
	Appropriation from P & L. A/c		22,500.00	
	Profit on sale of securities		457.50	
			1,45,657.50	
1,22,700	*Less*: Depreciation written off during the year		60,412.50	85,245.00
	(c) *Bad and Doubtful Debts*:			
	Balance as per last Balance Sheet		1,25,000.00	
1,25,000	Appropriation from P & L. A/c		25,000.00	1,50,000.00
	(d) *Equalisation of Dividend*:			
	Balance as per last Balance Sheet		11,000.00	
11,000	Transfer from Div. Suspense A/c		5,000.00	16,000.00
	(e) *Distress Relief Fund*:			
	Balance as per last Balance Sheet		2,172.12	
	Appropriation from P & L A/c		3,500.00	
	Receipts		75.00	
			5,747.12	
2,172	*Less : Amount paid during the year*		4,251.00	1,496.12
	(f) *Gratuity to Staff*:			
	Balance as per last Balance Sheet		41,105.00	
41,105	Appropriation from P & L A/c.		10,000.00	51,105.00
	3. DEPOSITS			
	(i) *Fixed Deposits*:			
	(a) Individuals		81,75,682.77	
	(b) Cetnral Co-op· Banks		—	
78,36,046	(c) Other Societies		5,56,132.53	87,31,815.30
	(ii) *Savings Bank Deposits*:			
	(a) Individuals		119,44,381.52	
	(b) Central Co-op. Banks		—	
109,83,716	(c) Other Societies		3,55,213.24	122,99,594.76
	(iii) *Current Deposits*:			
	(a) Individuals		8,96,659.57	
	(b) Central Co-op. Banks		—	
15,87,681	(c) Other Societies		5,86,618.65	14,83,278.22
—	(iv) *Money at Call and Short Notice*			—
8,10,519	(v) *Cumulative Deposits (from Individuals)*			8,15,957.00
	(vi) *Cumulative & Fixed Deposits Matured*			
	(a) Individuals		1,90,716.28	
1,34,619	(b) Other Societies		5,000.00	1,95,716.28
55,926	(vii) *Special Reserve S.B. Accounts*			49,751.88
	4. BORROWINGS:			
	(a) Overdraft, with M.S.C. Bank Ltd. against pledge of Trustee Securities and Fixed Deposits of the face value of Rs 14,00,000/- (Limit Rs 12,27,000/-)			
8,70,005				4,81,235.91
	(b) Overdraft with Poona Dist. Central Co-op. Bank, Ltd. Poona, against pledge of Trustee securities of the face value of Rs 7,00,000/- (Limit Rs 5,00,000/- for Poona Branch)			
—				—
2,39,10,267	Carried forward			2,58,45,167.78

Bank Limited, Bombay-7

at 30th June, 1972

As on 30-6-1971	ASSETS			As on 30-6-1972
Rs			Rs. P.	Rs P.
	1. CASH:			
1,73,448	In hand		2,06,479.08	
6,64,718	With State Bank of India, Maharashtra State Co-op. Bank, Ltd. and Poona District Central Co-op. Bank Ltd.		7,46,062.85	9,52,541.93
	2. *Balance with other Banks*:			
1,027	(i) Current Deposits			6,007.62
—	(ii) Savings Deposits			—
—	(iii) Fixed Deposits			—
	3. MONEY AT CALL AND SHORT NOTICE:			—
	4. INVESTMENTS:			
4,62,693	(i) In Central and State Government Securities		4,46,650.00	
	Face Value Rs 4,50,000.00			
18,95,887	Market Value Rs. 4,50,000.00			
	(ii) Other Trustee Securities		18,60,875.00	
62,130	(iii) Shares in Co-op. Institutions other than in item (5) below		59,630.00	
	(iv) Other Investments—Loan Stock Bonds & Capital Contribution &			
80,431	Construction Deposit in Co-op. Hsg. Societies		77,280.00	
112,50,000	(v) M.S.C. Bank Fixed Deposits		111,50,000.00	
	Securities earmarked against Reserve Fund Investments:			
8,91,500	In other Trustees Securities		8,91,500.00	144,85,935.00
	5. INVESTMENTS OUT OF PRINCIPAL/SUBSIDIARY STATE PARTNERSHIP FUND:			
	In Shares of			
—	(i) Central Co-Op. Banks			—
—	(ii) Primary Agricultural Societies			—
—	(iii) Other Societies			—
	6. ADVANCES:			
	(i) Short Term Loans, Cash Credits. Overdrafts & Bills discounted, of which secured against			
37,140	(a) Govt. & Other approved Securities		1,43,615.91	
21,41,743	(b) Other Tangible Securities		48,22,695.42	
1,49,494	(c) Personal sureties, with or without collateral security		1,16,500.39	
				50,82,811.72
	Of the advances, amount due from Individuals 40,28,221.34; of the advances, amount overdue Rs 5,63,519.02 Considered bad and doubtful of recovery Rs Nil			
	(ii) Medium Term Loans, of which secured against			
1,39,982	(a) Govt. & other approved securities		1,85,306.63	
17,55,864	(b) Other Tangible Securities		3,29,038.41	
11,36,508	(c) Personal sureties with or without collateral security		12,32,097.02	17,46,442.06
	Of the advances, amount due from individuals Rs 17,46,442.06			
—	Of the advances, amount overdue Rs 1,23,900.94 Considered bad and doubtful of recovery Rs nil.	..		
	(iii) Long Term Loans:			
	Of which secured against			
	(a) Govt. and other Approved Securities	..	—	
32,38,633	(b) Other tangible securities	..	38,52,245.45	
33,688	(c) Personal Sureties with or without collateral Security		22,835.07	38,75,080.52
	Of the advances amount due from individuals Rs 25,76,363.44			
	Of the advances, amount overdue Rs 3,00,710.23			
	Considered bad and doubtful of recovery Rs Nil.			
	7. INTEREST RECEIVABLE	..	4,37,232.35	
4,52,387	On Investments	..	778.65	4,38,011.00
924	On Advances	..		
28,693	8. Cheques received for collection as per contra	..		51,510.59
—	9. Letters of Credit issued as per contra	..		4,77,000.00
—	10. Branch adjustments	..		40,344.60
—	11. Premises less depreciation	..		—
	12. Furniture & Fixtures:	..	1,69,750.27	
	Balance as per last Balance Sheet	..	74,823.61	
	Additions during the year	..	2,44,573.88	
2,45,96,890	Carried forward			271,55,685.04

The Shamrao Vithal Co-operative

Balance Sheet as

As on 30-6-1971	LIABILITIES			As on 30-6-1972
		Rs P		Rs P
Rs	Brought forward			2,58,45,167.78
2,39,10,267	5. Cheques sent for collection as per contra			51,510.59
28,693	6. Letters of Credit outstanding as per contra			4,77,000.00
—	7. Branch adjustments			—
15,277	8. Overdue Interest Reserve			1,40,068.74
1,53,004	9. Intestrest Payable			4,34,588.08
3,61,507	10. *Other Liabilities*:			
	(a) Provision for Expenses			18,844.83
23,330	(b) Unclaimed Dividend			49,094.66
39,562	(c) Suspense Account (Share Deposit)			5,750.00
5,400	(d) Sundries			59,960.52
62,629	(e) Provision for Income Tax			10,000.00
10,000	(f) Margin Account (Loans)			868.59
1,245	(g) Margin Account (Letters of Credit)			48,000.00
—	(h) Provision for Legal Expenses			1,000.00
1,000	(i) Admission Fee			325.00
130	(j) Draft Payable			10,811.90
11,362	11. PROFIT AND LOSS ACCOUNT:			
	Balance as per last Balance Sheet		2,30,935.29	
	Less: Appropriations:			
	(a) Reserve Fund	56,000.00		
	(b) Dividend to Members	65,000.00		
	(c) Education Fund	2,500,00		
	(d) Depreciation Reserve	22,500,00		
	(e) Staff Gratuity Fund	10,000,00		
	(f) Dividend Equalisation Fund	5,000,00		
	(g) Charities:			
	Scholarships	3,500,00		
	Distress Relief Fund	3,500,00		
	(g) Bad & Doubtful Debts Reserve	25,000,00		
	(h) Bonus to Staff	27,751,38	2,20,751,38	
2,30,935	*Add*: Profit for the year		10,183,91	
			2,96,193.45	
				3,06,377.36
2,48,54,341	Total Rs			274,59,368.05

CONTINGENT LIABILITIES . . Nl.

Bombay, 10th August, 1972.

I, the undersigned Auditor of the Shamrao Vithal Co-op. Bank Ltd., report on the Balance-sheet and Accounts of the Bank as at 30-6-1972 I have examined the foregoing Balance-sheet of the Shamrao Vithal Co-op. Bank Ltd., as at 30-6-1972 and the Profit and Loss Account of the Bank for the year ended up on that date with the Account relating thereto of Head Office and with the Returns submitted and certified by the Branch Managers, which Returns have been incorporated in the foregoing Balance Sheet and Accounts and I repeort that,

(1) In my opinion the Balance-sheet is a full and fair one, containing all the necessary particulars and is properly drawn up so as to exhibit a true and correct view of the affairs of the Bank, according to the best of my information and the explanations given to me and as shown by the Books of the Bank.

(2) Where I have called for any explanation or information such explanation and information have been given to me and have been found satisfactory;

(3) The transactions of the Bank which have come to my notice have been within the competence of the Bank;

(4) The Returns received from the Branches of the Bank have been found adequate for the purpose of my audit;

(5) The Profit and Loss Account shows a true balance of the Profit for the year covered by such Account.;

(6) In my opinion the Balance-sheet and the Profit and Loss Account ware drawn up in conformity with the law; and

(7) In my opinion Books of Accounts have been kept by the Bank as required by law.

S. T. PATIL,
Special Auditor, Class-I
Cooperative Societies, (Urban Banks), Bombay

Bombay, 16th August' 1972.

Bank Limited, Bombay-7

at 30th June, 1972

As on 30-6-1971	ASSETS			As on 30-6-1972
Rs			Rs P	Rs P
2,45,96,890	Brought forward	..		2,71,55,685.04
1,69,750	*Less*: Depreciation written off during the yesr	..	36,198.55	2,08,375.33
	13. Other Assets:			
3,941	(a) Prepaid Expenses	..	—	
20,528	(b) Taxation at source	..	21,747.00	
3,065	(c) Advance towards expenses	..	3,064.75	
36,903	(d) Stock of Printing & Stationery	..	39,144.85	
1,700	(e) B.E.S.T. Deposit	..	1,700.00	
14,870	(f) Telephone Deposit	..	16,585.00	
4,729	(g) Sundry Debetors	..	9,500.00	
1,965	(h) Clearing Cheques	..	536.33	
—	(i) Pension	..	2,129.75	
—	(j) Unadjusted Account	..	900.00	95,307.68
2,48,54,341	Total Rs	.		274,59,368.05

V.G. MURDESHWAR
Secretary

D. L. MURDESHWAR
Manager

D.D. YENNEMADI
Chairman

B. P. DIVGI
Vice-Chairman

S. D. NADKARNI
Director

The Shamrao Vithal Co-operative Bank Limited, Bombay-7

Profit & Loss account for the year ended 30th June 1972

Previous year 1970-71	EXPENDITURE		For the year 1971-72
Rs P			Rs P
14,92,778.81	TO INTEREST PAID	17,88,541.58	
6,18,344.44	*Less*: Interest on Inter Branch Accounts	7,47,357.95	
8,74,434.37		10,41,183.63	
3,61,507.06	*Add*: Interest payable on 30-6-1972	4,34,588.08	
12,35,941.43		14,75,771.71	
3,23,222.29	*Less*: Interest payable on 30-6-1971	3,61,507.08	11,14,264.65
2,52,761.57	To Salaries, Allowances & Prov. Fund		3,37,944.48
—	Directors' & Local Committee Members fees and allowances		..
27,500.20	Rent, Taxes, Insurance & Lighting		45,968.63
740.00	Law Charges	..	51.05
9,034.03	Postage, Telegrams and Telephone Charges		16,746.73
9,000.00	Auditors' Fees (Statutory)	..	10,000.00
7,200.00	Auditors Fees (Internal)	..	7,200.00
27,722.61	Depreciation on and Repairs to Bank's Property	..	37,436.05
40,008.93	Stationery, Printing and Advertisement	..	37,595.96
—	Loss from sale or dealing with non-Banking assets	..	—
5,000.00	Provision for Income Tax	.	5,000.00
1,500.00	Legal Adviser's Fees	.	1,500.00
1,025.20	Bank Charges	.	959.75
—	Bad Debts written off	..	—
1,440.40	Subscription & Donations	..	2,516.20
—	Gratuity Paid to Staff	.	2,040.00
37,477.92	Other Expenses (Contingencies)	.	35,119.02
	Credit Guarantee Fee	.	5,780.41
2,23,869.71	To Net Profit for the year carried to Balance Sheet	. .	2,96,193.45
15,56,999.71	Total	Rs	19,56,316.38

Previous year 1970-71	INCOME		For the year 1971-72
Rs P			Rs P
20,95,098.36	BY INTEREST RECEIVED	26,93,102.03	
6,18,344.44	*Less*: Interest on Inter Branch Accounts	7,47,357.95	
14,76,753.92		19,45,744.08	
4,53,311.29	*Add*; Interest Receivable on 30-6-1972	4,38,011.00	
19,30,065.21		23,83,755.08	
3,95,393.57	*Less*: Interest Receivable on 30-6-1971	4,53,311.29	19,30,443.79
15,34,671.64			
	BY MISCELLANEOUS INCOME:		
903.02	Commission, Exchange and Brokerage		1,807.02
—	Income from non-Banking assets and Profits from sale of or dealing with such assets		—
—	Subscription & Donations	..	—
7,470.34	Rent from S.D. Lockers	..	8,355.48
5,000.00	Income Tax Provision for previous years written back	..	5,000.00
8,954.71	Other Receipts		10,710.09
15,56,999.71	Total	Rs	19,56,316.38

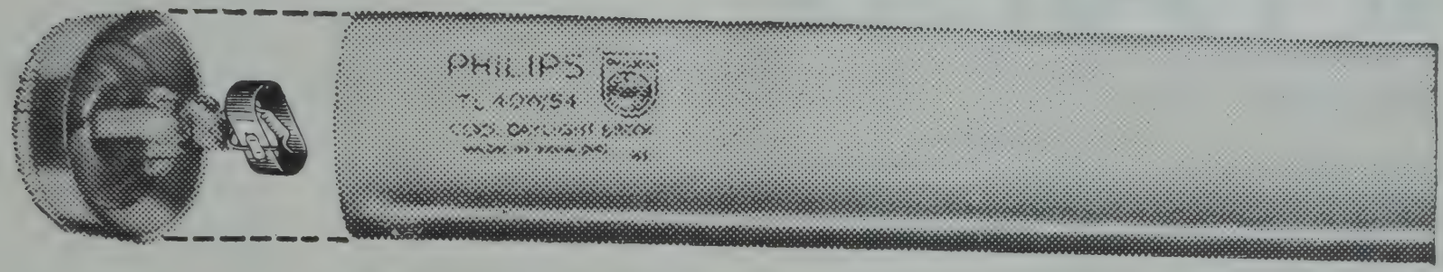
Bombay, 10th August, 1972
Certified subject to remarks in the Audit Report.
S. T. PATIL
Spl. Auditor, (Class I),
Cooperative Societies, (Urban Bank's,) Bombay

V. G. MURDESHWAR
Secretary
D. L. MURDESHWAR
Manager

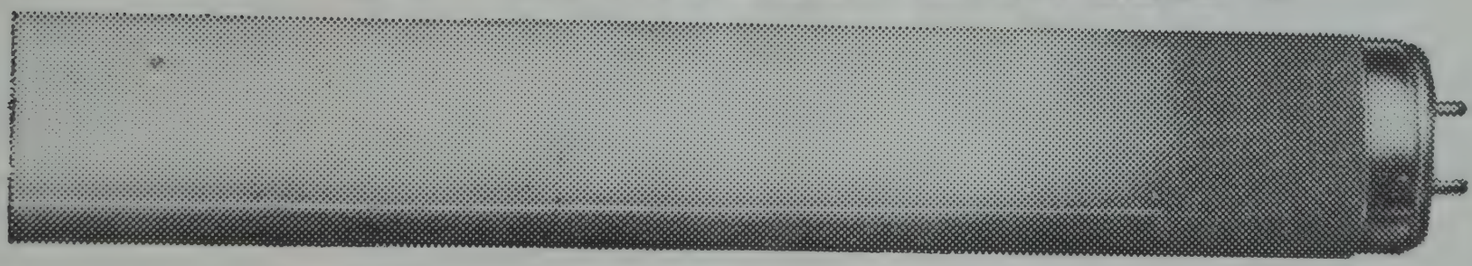
D. D. YENNEMADI, *Chairman*
B. P. DIVGI, *Vice-Chairman*
S. D. NADKARNI, *Director*

IYER & VYAS—Bombay

This great invention



spells the end of the black ends!



The New Philips tubelight with triple coil and anode ring does not blacken at the ends.

The triple coil and anode ring construction.



Ordinary tubelights have coiled coil electrodes at the ends. The new Philips tubelight has a thrice coiled coil—the triple coil. Around the triple coil is another new element—an anode ring. Together they give you better fluorescent lighting than you've ever seen before.

No end blackening.
Ordinary tubelights blacken at the ends, absorbing useful light. The triple coil and anode ring construction in the new tubelight prevents blackening.

Brighter, longer lasting light.
Tests prove that the new Philips tubelight is brighter. And it stays brighter longer than other tubelights. Its lumen maintenance is higher.

Good colour rendition.
Philips lamps balance brightness with good colour rendition. So you see things in the right light.

Modern integrated factory.
Every component of a Philips lamp is made in the Philips factory—the largest and most modern integrated lamp factory in Asia outside of Japan. So quality control is complete.

The next time you need a tubelight, buy the better tubelight. Philips.

Also from Philips: The TLF Reflectalite, a tubelight with a built-in reflector.

PHL. 3555-A

PHILIPS

When a better lamp is needed, Philips make it.

PHILIPS INDIA LIMITED

COMPANY AFFAIRS

Tata Chemicals

TATA CHEMICALS Ltd has applied for the conversion of the letter of intent into an industrial licence relating to its prestigious and the most imaginative Mithapur fertiliser project and is making every effort to implement the scheme as expeditiously as possible. Although this giant project has been curtailed in its scope, it is hoped that in view of the huge benefits by way of increased efficiency, lower costs and larger savings in foreign exchange that will accrue to the country through the use of the highly advanced technonology, the government itself will desire the company in due course to expand and diversify this Mithapur complex progressively and thus enable this mighty venture to realise its fullest potential in the allied fields of alkalies, fertilizers and marine products.

Meanwhile the company is going ahead full steam with the implementation of its recently licensed expansion of the soda ash capacity to thousand tonnes per day. This expension scheme is expected to be completed by mid 1974. It is also anticipated that the government will soon convert into an industrial licence the letter of intent it has issued to the company for further expansion which would bring its total capacity to about half a million tonnes a year. This was disclosed by the Chairman, Mr J.R.D. Tata while addressing the annual general meeting of the company.

Referring to the proposal to set up a soda ash unit in Argentina, Mr Tata has hinted that the final scheme would take the form of a collaboration with one of the tenderers. Further the company had initiated negotiations with an industrial group in an European country for putting up of a soda ash plant but on a somewhat smaller scale than the Argentinian one.

The company has maintained its unbroken recored of progress in output, revenue and profit over the last decade during which period it has produced well over Rs 100 crores worth of critical raw mateaials and a matching amonnt in precious foreign exchange besides providing nearly Rs 14 crores in wages and benefits for employees, paying about Rs 17 crores in the form of taxes to the exchequer and last but not least in saving the consumer nearly Rs 3 crores in the shape of lower prices than those charged by its competitors. It needs to be underlined here that this magnificent performance, particularly in an esentially vital and difficult field of basic chemicals, has been achieved without any outside assistance whatsoever.

Sakthi Pipes

In the issue of *Eastern Economist* of November 24, in this section there is a note on Sakthi Pipes Ltd. According to a Tamil weekly, *Tughlak* published in Madras, the Accountant General's office has raised objections to the terms on which the state government has been giving financial assistance to this company. The curcumstances, in which or the terms on which the state government has placed orders on the firm for pipes also appear to have attracted criticism from the same source. It is obiviously desirable that the company as well as the Tamil Nadu government should take the public into confidence and clarify the the position. This point is raised here because the note in this section has also made mention of the company having been assisted financially by the state government.

Indian Oxygen

Indian Oxygen Ltd has reported impressive improvements in its working results for the year ended September 30, 1972. The gross profit recorded a smart rise to Rs 2.51 crores from Rs 2.02 crores in 1970-71, an increase of 25 per cent. Encouraged by the working results the directors have stepped up the equity dividend to 15 per cent as against 14 per cent paid for 1970-71. The company recently received the government's approval for the issue of bonus shares in the ratio of one share for every three shares held. The directors have decided to issue bonus shares to the shareholders who are registered with the company as on February 12, 1973. Out of the gross profit, the directors have set apart a sum of Rs 1.67 crores to taxation reserve as against Rs 1.29 crores in 1970-71, while the appropriation to development rebate reserve was stepped up from Rs 3.50 lakhs to Rs 4 lakhs. An amount of Rs 33.29 lakhs was set aside to gratuity reserve as against no provision in the previous year. Writing back Rs 18 lakhs being excess tax provision and Rs 19 laks from development rebate reserve no longer required there is a surplus of Rs 83.25 lakhs and the entire amount has been transferred to the general reserve. In 1970-71 the general reserve was credited with Rs 75.58 lakhs. The proposed dividend will claim Rs 69.30 lakhs and will be paid out of the general reserve.

Prestolite of India

Prestolite of India has reported significant improvements in its working results during the year ended March 31, 1972. The impressive rise in profits and sales have enabled the directors to recommend the payment of the entire accumulated dividend on preference shares up to March 31, 1972 besides declaring a dividend of six per cent on equity shares. Sales during 1971-72 crossed the Rs one-crore mark and stood at Rs 104.65 lakhs, registering a handsome increase of 33.6 per cent over the preceding 15-month period ended March 31, 1971. It is heartening to note that the company has thus been able to exceed its targetted figure by as much as Rs 4,65 lakhs. Although its collaboration agreement with the world renowned US firm has expired by June 7, 1972, the company in order to keep pace with the latest techniques and designs has considered it worthwile to renew the agreement for a further period of five years. The draft agreement has been finalised and is now waiting for government's approval. Meanwhile the company has stepped up considerabaly the capacity for most of its existing products. At the same time the company has approached the government for getting further industrial licences for the manufacture of starter motors dynamos, alternators and a host of other equipments. The proposals are at present under the active consideration of the government. In the meantime the company has appointed Tropical Agencies Private Ltd as its sole selling agents and this arrangement is expected to give a tremendous boost to its sales in the coming years.

After charging all expenses but before providing for depreciation and development rebate reserve the company has earned a profit of Rs 9.53 lakhs. Out of this the directors have appropriated a sum of Rs 3.16 lakhs to depreciation reserve and Rs 13,184 to development rebate reserve as against Rs 3.63 lakhs and Rs 44,590 allocated respectively in 1970-71. An amount of Rs 1.36 lakhs was earmarked for meeting share issue expenses as against no allotment in 1970-71. After these adjustments there

is a surplus of Rs 4.88 lakhs. Adding the balance of Rs 1.82 lakhs brought forward from the previous year's profit and loss account, the net surplus comes to Rs 6.70 lakhs and the entire amount has been transferred to the general reserve. The recommended dividends will be paid out of the general reserve.

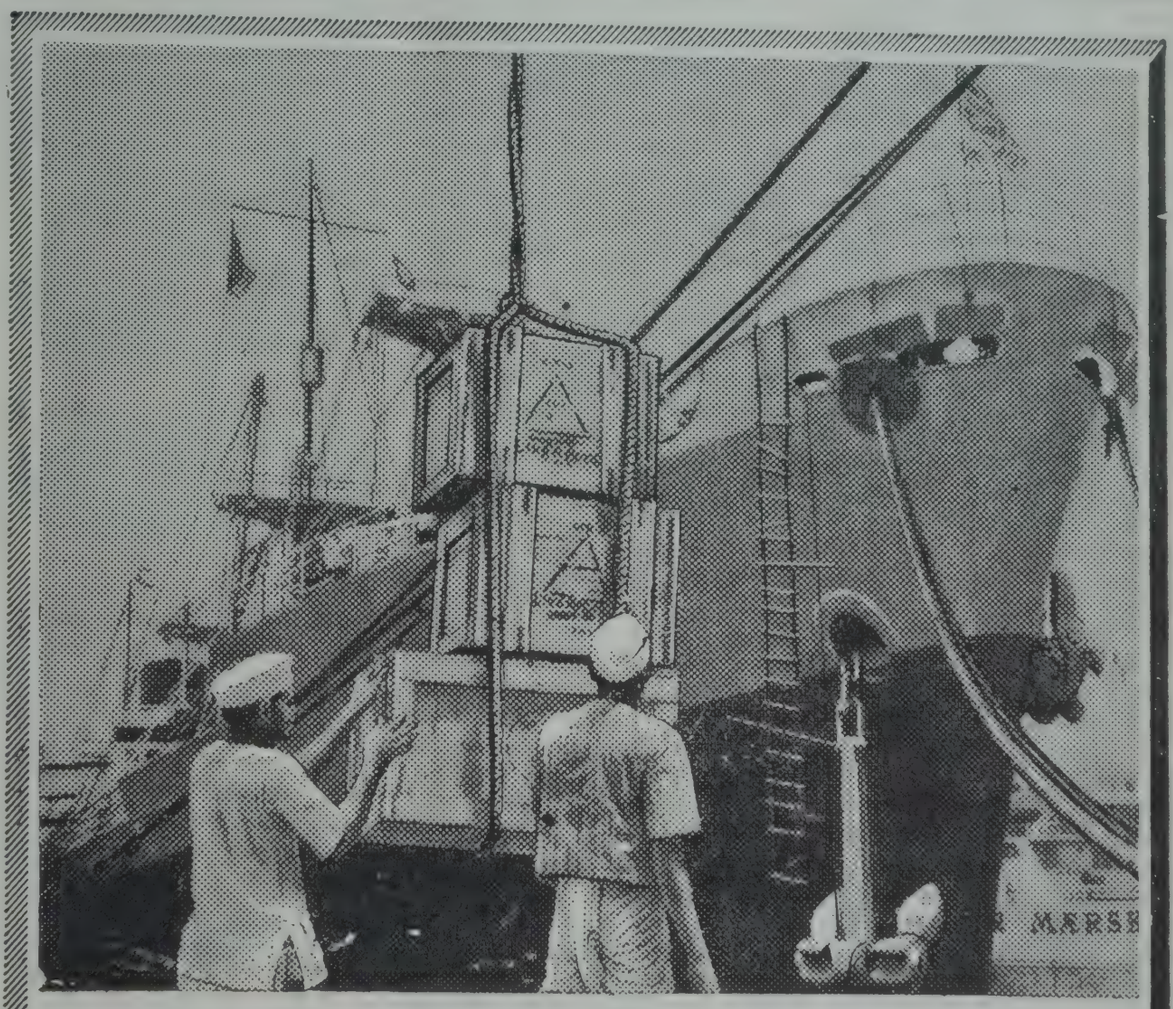
Ballarpur Paper

The directors of Ballarpur Paper and Star Board Mills Ltd have recommended a higher equity divided of 15 per cent for the year ended June 30, 1972 as compared to 12.5 per cent declared for 1970-71. The proposed equity dividend will claim Rs 92.22 lakhs. Its gross profit during the year amounted to Rs 7.01 crores from Rs 6.78 crores in 1970-71. Depreciattion reserve was allocated with Rs 1.40 crores as against Rs 1.17 crores while the appropriation to development rebate reserve was enhanced by Rs 47.50 lakhs to Rs 54.50 lakhs. A sum of Rs 4.39 crores has been transferred to general reserve out which the proposed dividend will be paid. Production of paper increased further during the year to 97,162 tonnes from 96,923 tonnes despite slowing down of production of the Ballarpur mills during March and April and total stoppage in May owing to shortage of water. The company has taken suitable measures to ensure continnous water supplies to the mills for maintaning maximum production. A significant break through has been achieved in the field of expansion and development. A new machine was commissioned at Ballarpur in February this year which will increase production of paper by about, 10,000 tonnes per year. Construction work on the Karwar project (Mysore) has already begun and the company has asked permission for increasing its licensed capacity for caustic soda from 33,000 tonnes to 45,900 tonnes and for sodium tri-polyphosphate from 10,000 tonnes to 24,000 tonnes per annum. It has also selected Neila Terrace in Himachal Pradesh for setting up a newsprint mill with a capacity of 300 tonnes per day and is seeking government's permission for the import of the requisite plant and machinery.

MICO

At the extraordinary meeting held recently in Bangalore the Chairman of Motor Industries Co. Ltd has announced the issue of 375,000 bonus shares to all shareholders in the ratio of 1:1 and to make a further issue of 95, 588 equity shares to the shareholders other than Robert Bosch GmbH at a premium of Rs 90 per share. Referring to the fifth expansion plan of the company the chairman said that the West German loan to the tune of DM 2136 million had been negotiated and signed in July last. The import licence was issued in September for capital goods and the first orders had already been placed. In sanctioning the expansion scheme the government had stipulated that the holding of Robert Bosch GmbH in the share capital should be brought down from 57.5 to 51 per cent before June 4, 1973.

In regard to the rupee financing of the expansion, negatiations are in progress with five financial institutions for a long term loan of Rs 30 million.



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DENA BANK

(A Government of India Undertaking)
Head Office: Dena Bank Buildings,
Horniman Circle, Bombay-1.

RATAN BATRA, Bombay

DB/E/212

These institutions have in principle agreed to provide jointly a long term loan of Rs 30 million against privately placed debentures. The financial institutions heve demanded that a portion of the loan should be converted into share capital in accordance with the government's policy. Therefore 48,000 shares out of the proposed issue of 95,588 shares will be reserved for the financial institutions. These shares will be offered to them at the same time as the remaining 47,588 shares are offered to shareholders other than Bosch. The company proposed to offer the 47,588 shares to its shareholders in the proportion of three shares for every 20 shares held, as far as practicable. These shares will be issued as partly paid-up to enable them to take up all the shares. The partly paid-up shares will be made fully paid-up in the course of the next two years.

The company's working in the the current year is so far satisfactory. Direct exports during 1972 are likely to reach Rs 1.7 crores, an increase of about 40 per cent over 1971. With the sanctions received in respect of its fifth expansion and the expectation of receiving the government's approval for the bonus and rights issues, the company legitimately looks forward to a period of substantial growth in the next few years. The construction of the new factory at Nasik has already been taken up and it is hoped that before the end of 1973 the activities of the Nasik pilot plant which is operating in rented premises would be shifted to its own site.

Indian Explosives

Indian Explosives Ltd has reported marked rise in its sales and profits during the year ended September 30, 1972. Its net profit has almost trebled to Rs 7.40 crores from Rs 2.49 crores while sales shot up to Rs 48.73 crores from Rs 33.09 crores in 1970-71. The tax liability is estimated at Rs 3 lakhs, the same as in the previous year. This leaves a profit after tax of Rs 7.37 crores as compared to Rs 2.46 crores a year ago. The directors have recommended a higher dividend of 17.5 per cent for 1971-72 as against 15 per cent declared for the preceding year. The total dividend distribution will absorb Rs 3.76 crores, Rs 0.54 crore more than in the previous year.

Alkali & Chemical Corp.

The Board of Directers of the Alkali and Chemical Corporation of India Limited have recommended a final dividend of Rupee one per equity share for the year ended September 30, 1972 subject to deduction of tax at so urce. This, together with the interim dividend already paid at Re. 0.75 per share, will bring the total dividend for the year to Rs 1.75 per equity share (17.5 per cent). The dividend declared last year has thus been maintained. A brief statement of the trading results of the company for the year indicates that although sales improved to Rs 26.97 crores as compared with the previous year's sales of Rs 24.77 crores, the profit before tax was reduced from Rs 269 lakhs. to Rs 248 lakhs. Profit after tax at Rs 78 lakhs showed a marked decline as compared with Rs 104 lakhs for the previous year. The drop in the profit is attributed mainly to increases in salaries and wages and improved welfare amenties arising from a five-year agreement with the company's Rishra Works unions, enhanced rate of import duties on certain key raw materials, increase in the costs of indigenous raw materials and transport, and partly to the enhanced tax liability of Rs 170 lakhs as compared with Rs 164 lakhs for the previous year,

TISCO

The Tata Iron and Steel Company Ltd has received the consent of the Controller of Capital Issues for the issue of debentures worth Rs one crore to the Unit Trust of India. These debentures will carry an interest of 8.5 per cent, per annum. The issue of debentures to the UTI is a part of the company's financial programme for raising funds to finance its repacelment and modernisation programme. The company has also been granted a long-term loan of Rs 2.5 crores by the LIC, Rs 1 crore by the IDBI and of Rs 50 lakhs by the IFC of India. Since Unit Trust does not advance term loans, the company will issue debentures to the institution. The interest on term loans of Rs 4 crores from the financial institutions is also 8.5 per cent per annum, the same as that is being offered on debentures to the UTI. In addition to the borrowings of Rs 5 crores from the financial institutions, the company recently raised Rs 15 crores through the issue of debentures to the public.

The financial institutions which have granted term-loans to the company and the Unit Trust which will subscribe to the company's debentures of Rs one crore will have an option to convert such portions of the loans as may be outstandiag but not exceeding Rs 2 crores into equity shares of the company or par. Such option of conversion into equity shares will ordinarily be exercisable only in the event of default by the company in the repayment of the principal of the loans of redemption of debentures which devolve on financial institutions, and only during 1981 to 1987.

Shah Construction

Shah Construction Co. Ltd. appears to have turned the corner. According to the preliminary figures released by the company, the working for the year ended June 30, 1972 has resulted in a gross profit of Rs 20.74 lakhs as against a loss of Rs 19.01 lakhs in the previous year. Turnover during the year has improved to Rs 468.37 lakhs from Rs 381.81 lakhs in the previous year. After providing Rs 16.44 lakhs (nil) for depreciation the net surplus of Rs 4.30 lakhs has been adjusted against brought

New India Sugar Mills Limited

NOTICE

NOTICE is hereby given that the Thirty-eighth Annual General Meeting of New India Sugar Mills Limited will be held on Monday, the 18th December, 1972 at 3.30 P.M. at 9/1, R.N. Mukherjee Road, Calcutta-1, for the following purposes:—

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1972.

2. To declare dividends.

3. To elect Directors in place of Shri R.N. Khaitan and Shri M.L. Nopany who retire by rotation and being eligible offer themselves for re-election.

4. To appoint Auditors and fix their remuneration.

By Order of the Board
S.N. Gupta
Secretary.

9/1, R.N. Mukherjee Road,
Calcutta-1,
the 13th November, 1972.

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

2. Shareholders are requested to notify any change of address, failing which the dividend warrants will be posted to their addresses as registered with the Company.

3. The Register of members of the Company will remain closed from the 12th December, 1972 to 18th December, 1972 both days inclusive.

4. The dividends when declared will be payable to the registered shareholders as on the 18th December, 1972 or to their mandatees on or after the 3rd January, 1973.

orward loss. The directors eel that the operational results or the year can be considered atisfactory despite the adverse onditions of working prevail- ng in the industry. The ompany has entered into an greement with Banayi Cons- ruction Unit, an undertaking holly owned by the Royal Go ernment of Afghanistan, for eting up a joint venture for he purpose of obtaining and xecuting contracts in Afgha- istan and elsewhere. The ork load on hand at Rs 15 rores is considered adequate or the profitable working of he company in the coming ears. The outlook for the ear appears to be briygt and t is expected that the company ould be able to expand the evels of output and profit- bility.

News and Notes

Expansion and Diversification

Tata Engineering and Loco- motive Co. Ltd, the biggest producer of commercial vehi- cles at its Jamshedpur plant, has undertaken a major expan- sion programme at its engineer- ing division at Pimpri, near Poona, to produce 9,000 heavy vehicles per year by 1978. After inquiry by the Monopolies Commission, the government ssued a letter of intent to the company, allowing it, subject o certain conditions, to set up acilities for production of ,000 trucks per year at Pimpri nd increasing the capacity at amshedpur from 24,000 to 7,000 per year. The expan- ion project, estimated to cost s. 40.50 crores, of which Rs 8 crores would be raised from he company's internal resour- es and the rest as foreign ex- hange loans, the expansion also ould involve the setting up f a 10,000-tonnes per annum aptive alloy iron foundry to ake high-grade, thinwalled lloy iron castings required for he automobile industry.

New Issues

Suri & Nayar Ltd. is offer- ng to the public for subscrip- on 210,600 equity shares of s 10 each and 10,000 (9.5 per nt) redeemable cumulative reference shares of Rs 100 each for cash at par. The subs- cription list opened on Decem- ber 4 and will close on Decem- ber 15 or earlier but not before December 6. The company was incorporated in Bombay as a private limited company in June 1969 and it was promo- ted by a team of technologists with the primary object to develop and manufacture 'SAN' locomotives, agricultural mac- hinery and tractor compo- nents. Encouraged by the de- mand in the country and over- seas and the success of the small venture, the company was converted into a public limited company and was re- gistered in state of Maharash- tra on March 22, 1972. The company is now constructing a new plant in Bangalore based on sophisticated but totally in- digenous technology to manu- facture various types and sizes of locomotives tailor-made to customers specific requirements. These locomotives are required for shunting and haulage as part of material handling sys- tems on small and big coal mines, ore and mineral mines, stone quarries, plantations, fer- tilizer, cement, chemical and steel plants. The manufactur- ing programme envisages also the manufacture of special type of automotive (including trac- tors) pinions and bevel gears and high technology agricul- tural machines, chemical plants and various other processing machines for ores, minerals and food. The present issue is being made to finance the ex- pansion programmes and for setting up a new factory for which the total capital outlay is estimated at Rs 113.67 lakhs.

Sundaram Finance Ltd is offering to the public 100,000 equity shares of Rs 10 each at a premium of Rs 3.50 per share. The full amount is payable on application. The offer opened on December 6 and will close on December 11 or earlier but not before December 8. The company, promoted by Messrs T. V. Sun- dram Iyengar & Sons Private Ltd, commenced its business in 1954 with the object of financing the scale of commer- cial vehicles and passenger cars and its area of operation extends over the four southern states of Tamil Nadu, Kerala, Mysore and Andhra Pradesh.

Originally a private limited company wholly owned by Madras Motor Insurance Co. Ltd, it got de-subsidiarised with effect from 1960 by issue of further shares in the course of years and the number of shareholders has been increas- ing progressively and is now over 900. With a view to en- courage more public participa- tion the board of directors have now arranged for release of one lakh shares of the face value of Rs 10 each for seek- ing listing of the shares of the company on the Madras Stock Change. Messrs Pāterson and Company have been appointed as managing brokers for the sale of these shares to the public.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current Year	Equity dividend declared for: Previous Year
Higher Dividend			
Cochin Malabar Estates	February 29, 1972	18.0	17.5
Velimalai Rubber	February 29,1972	16.0	12.0
Thamarapally Rubber Co	December 31, 1971	15.0	12.5
Same Dividend			
Canara Sales Corporation	March 31, 1972	10.0	10.0
Canara Workshops	March 31, 1972	10.0	10 0
Indian Rubber Reganetaing Co.	March 31, 1972	12.0	12.0
SKG Sugar	June 30, 1972	Nil	Nil
Bharat General and Textile Industries	March 31, 1972	Nil	Nil
Union Jute	March 31, 1972	Nil	Nil
Burn & Co.	April 30, 1972	Nil	Nil
Mysore Kirloskar	June 30, 1972	10.0	10.0
Asian Electronics	March 31, 1972	10.0	10.0

RECORDS AND STATISTICS

Steel rerolling industry

THE AGENDA papers of the recent meeting of the Iron & Steel Advisory Council included a note submitted by the Steel Reroller Manufacturing Association (SRMA) which reviewed the role of the steel rerolling industry in the economy of the country. It set out the assessed capacity of the rerollers, their contribution in the national production of steel, the problem of billet supplies and the likely future provision of billets. It discussed the proposed product-mix in the new steel plants and explicitly suggested that "no capacity should be allowed for production of bars, rods and wire rods." Also, it brought out the evil effects of the steady increase in the number of rerolling mills and suggested that "it may not be too late even now to take a firm policy decision over proliferation of units". The note is given below in full along with iron and steel statistical data for 1970-71 to 1972-73:—

The need for a well-organised steel rerolling industry as a necessary and essential adjunct to the main steel industry and its role in the national economy has been recognised for well over three decades.

The industry has ever since endeavoured to make its own contribution even within the severe limitations stemming from shortage of raw materials, both billets and rerollable scrap. The industry's efforts to substantially raise the production, mainly of bars and rods, are being frustrated for no other reason than shortage of raw materials. Its current production is only a fraction of the established capacity which needs to be deeply looked into with a view to consider measures to enable the industry to make a more significant contribution in this direction.

Rerollers' Assessed Capacity

	million tonnes Annual capacity on two-shift working
Billet re-rollers	3.30
Scrap re-rollers	1.90
	5.20

No accurate estimate is possible of the capacity of a vast number of small-scale units which have come up in the course of the years following the relaxations given earlier. Taking, however, this capacity into consideration, the total capacity of the industry can very well be estimated around 6 million tonnes.

Industry's Contribution

Till only a few years back the share of the rerolling industry in the national production of steel was around 23% which has now come down to 17% in 1971-72. This apart, the industry's contribution in production of lighter rods only was 90% till a few years back but, here again, this primacy is being gradually eroded and the present ratio is about 45%.

It is admitted on all hands that an industry's performance could be measured by the production it gives. Not only therefore this provides thought to consider measures to halt the progressive decline in production but also steps required to harness the potentiality of the industry. The factors justifying fuller utilisation of the industry's capacity are well-worth noting as enumerated below.

Wide Dispersal and Diversification of Products

A major advantage lies in the wide dispersal of the industry which unquestionably helps to balance regional demand and supply. Because of this wide dispersal over the country the industry is in a position to cater quickly to demands of local consumers.

While bars and rods, the availability of which is in extremely short supply, are the principal items, it is of interest to note that during the last few years the industry had diversified its range of products which include thin flats, light angles, window and door sections, channels, cold twisted deformed bars, railway sections and even light joists and channels. There is no gainsaying that with the further growth and development of construction and engineering industries, the demand for rerollers' products would increase, which emphasises again the role of the industry in the overall economy.

It may not also be out of the way to mention here the significant contribution made by the industry in the export of its products, earning thereby foreign exchange to the extent of 15 to 16 crores of rupees annually. Because of government's change in policy only a token quantity of exports are now allowed.

Capital Investment and Labour employment

This industry is essentially a labour-intensive one as compared to its modest investment. Capital investment, according to our estimate, is in the region of 100 crores of rupees, and the industry provides direct employment for more than 80,000 workers. No doubt, a substantial number of people are also indirectly employed in the ancillary industries. If the industry could be enabled to raise its production substantially through better utilisation of capacity than has been possible hitherto it is no exaggeration to say that it will open out a scope for employment of a vast number of people—a point which should not be lost sight of. It is said that for every tonne of steel produced there is employment scope for at least ten workers in the chain of production to ultimate use.

The Problem of Billet Supplies

Provision was made in the Third Plan programme for 1.5 million tonnes of semis per annum in the steel plants, out of which 900,000 tonnes are billets for the rerolling industry. This works out to an average of 75,000 tonnes per month. The table given below indicating the trend of billet supplies would show that this was in fact achieved in 1966-67 and also 1967-68 and then followed progressive decline in supplies:

Pattern of Billet Supplies

(Tonnes)

Year	Monthly average despatch of M.S. Billets
1966-67	76,852
1967-68	75,719
1968-69	64,661
1969-70	53,187
1970-71	33,696
1971-72	54,600 (including
(Under 1st year of BRC Schemes)	11,340 tonnes from imports)

BRC Scheme

As is known, the billet rerollers had been brought under the scheme formulated by the Billet Re-rollers Committee

(BRC) set up by the government of India. The industry had extended its fullest co-operation in making the scheme a success.

The year 1971-72 has been the first year of operation of the BRC scheme. The keystone of this scheme is to ensure utilisation of 40 to 60% of one shift capacity, based on which the conversion charge was fixed by government. In the first quarter of 1972-73 (April to June) the monthly average of billet supplies was 47,225 tonnes.

It has been noticed that even within the first year of working (1971-72) there had been a number of instances where capacity utilisation of rerollers had been less than that envisaged, but the same conversion charge binds these affected rerollers causing then much hardship. In any case we do appreciate the overall effort of the BRC towards extracting as much as possible from the home steel plants and we are confident that they will keep on trying.

In fixing the monthly quota of billets, BRC had taken into account import of 100,000 in 1971-72, as well as in 1972-73. It is already evident that both these programmes have gone awry causing serious shortfall in billet supplies. This points to the urgent need to intensify efforts towards imports of billets as programmed.

Disposal of Billet Rerollers' Products

Under the BRC scheme, disposal of products of all billet rerollers is regulated by BRC at prices fixed by it. 70% of this production is earmarked for Quasi-Government Departments and other projects. The balance 30% is required to be given over to the producers' stockyards, a certain proportion of which the producers can sell to the traders of their own choice. This has in effect isolated the billet rerollers from all their traditional customers. Keeping this in view, SRMA's submission, which bears repetition here, is that the billet rerollers should be allowed to sell a modest quantity of 10% of their products to their own traders and other consumers, of course, at BRC prices so as to maintain some link with them.

Future Provision of Billets

In our reckoning the industry would require at present at least 1.5 million tonnes of billets even at conservative estimates of the demand of its products. Considering, however, that this may not be immediately feasible, the industry urged that it should get supply of at least 900,000 tonnes long ago provided for under the Third Plan and for which inbuilt capacity is already there. As SRMA had earlier submitted and emphasised in its various discussions with government the imperative need is to take concerted measures to substantially increase billet production either by tapping facilities in the existing steel plants or creation of such facilities in the new plants coming up.

It is pertinent in this connection to refer to government's decision some time back to provide for an additional production of 680,000 tonnes of billets in the expansion programme of Bhilai Steel Plant for the re-rolling industry. The industry felt very heartened at this additional availability. We cannot however help express our disappointment at the apparent lack of progress in this direction. The industry would be grateful to know the action taken by government in this regard.

As suggested earlier by SRMA, consideration should also be given for installation of zonally located billet making plants exclusively for the rerollers.

Product-Mix in the New Steel Plants

We have been hearing for quite some time about government emphasis on better utilisation of already existing capacity. The Steel Rerollinge Industry provides an instance of heavy under-utilisation of capacity. It therefore stands to reason that in fixing up the product-mix of the new steel plants, care should be taken to see that no capacity should be allowed for production of bars, rodss and wire rods. In other words every possible care needs to be taken to avoid duplication of capacity and thereby avoiding massive and unnecessary investment.

This note of caution is necessary again. It may here be recalled that SRMA had submitted earlier to government that the wire rod capacity of the rerollers was already to the extent of 650,000 tonnes per annum on two shifts, much of which remains grossly underutilised. SRMA pointed out that this capacity, along with

Production of Finished Steel by Producers: 1970-71, 1971-72 and 1972-73 (Up to June '72)

(In '000 tonnes)

Name of the producers	Years		
	1970-71	1971-72	1972-73
A. **Main Producers**			
Hindustan Steel Ltd			
1. Bhilai Steel Plant	1,214.8	1,029.6	303.6
2. Rourkela Steel Plant	593.0	560.6	122.0
3. Durgapur Steel Plant	336.5	337.4	64.9
Sub-total	2,144.3	1,927.6	490.5
4. Tata Iron & Steel Co. Ltd	982.7	1,001.5	223.8
5. Indian Iron & Steel Co. Ltd	464.1	449.4	70.7
6. Mysore Iron & Steel Co. Ltd	23.7	44.4	13.5
Total	3,614.8	3,422.9	798.5
B. Secondary Producers	149.6	132.1	31.1
C. Wire Drawing Units	135.6	224.2	65.3
D. Billet Re-Rollers	433.1	593.1	126.1
E. Scrap Re-Rollers	144.3	150.2	38.0
F. Producers of Tools, Alloy & Special Steels	350.0	264.8	36.2
Total	1,212.6	1,364.4	296.7
Grand Total	4,827.4	4,787.3	1,095.2

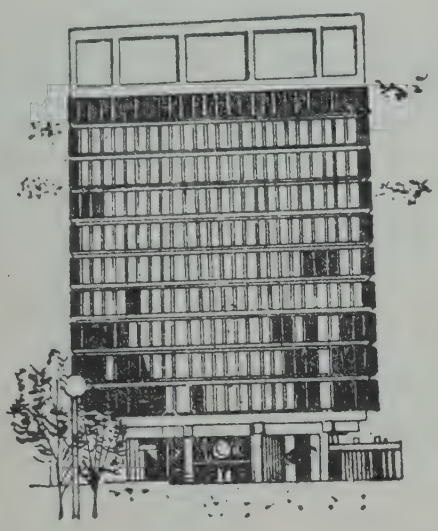
N.B.: 1. 1972-73 (From April-June '72) figures are provisional as the data on the production of certain units have not been received.

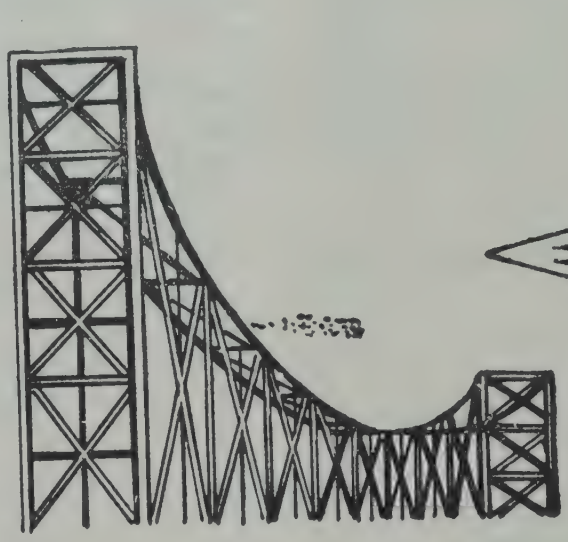
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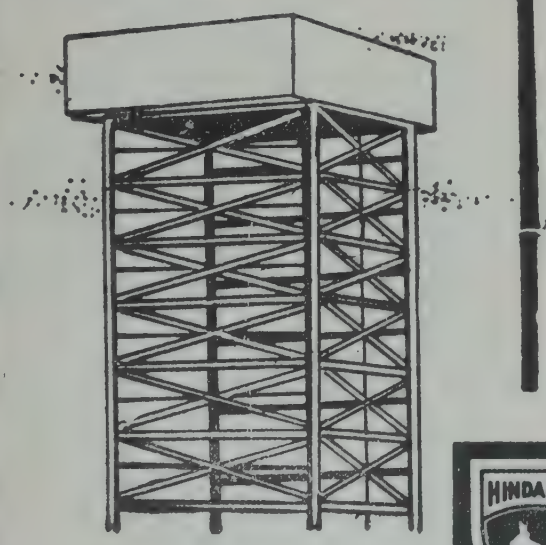
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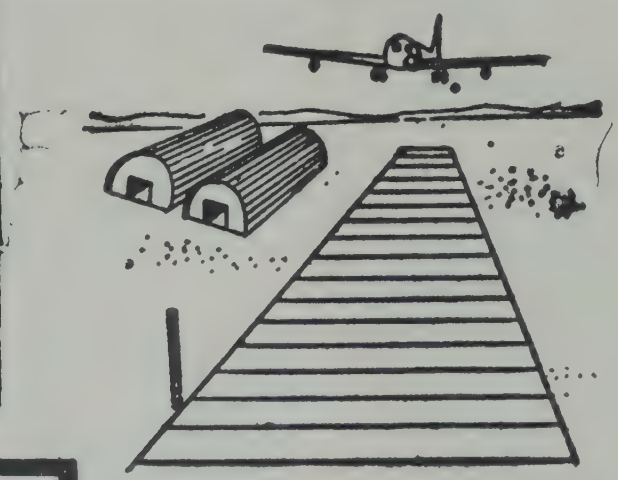
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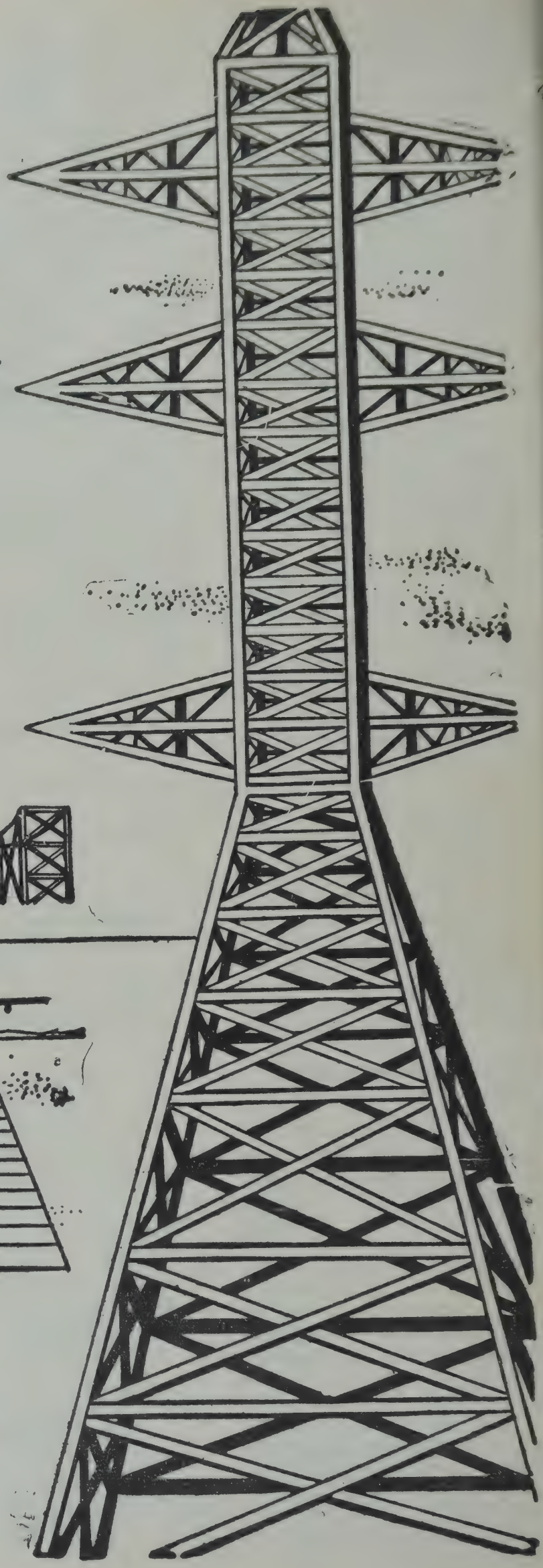
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the capacity of the main producers, could very well take care of the possible demands in the foresseable future, and therefore urged that there was no need for further installation of wire rod mills.

As has been mentioned earlier in this note there is a heavy excess of capacity for production of bars and rods, and against the industry's present capacity of a little over 6 million tonnes per annum on two shifts current production of bars and rods is little more than 650,000 tonnes. SRMA therefore would urge with all the emphasis that in fixing the product-mix of new steel-plants this capacity should be steadily kept in view, and that facilities for production of bars and rods below 20mm should not be programmed for the new steel plants.

Rerollable Scrap

Under the procedure of distribution of rerollable scrap, JPC make allotments for supply from the producers' stockyards. SRMA had earlier submitted the practical difficulties and much hardship resulting from adoption of this course. As it is, the scrap rolling sector is hard put to in maintaining their existence on the basis of allocation of roughly 10% of their one shift capacity. It is recognised that the increase in scrap availability cannot be had merely on the asking because these are not deliberately produced. Even so, it is hoped that in view of better steel production and the proper selection and channeling of the allocations there should be some scope for marginal increase.

The scrap rerolling sector could be helped if consideration is given to explore the possibility of importing ships for breaking which would throw out considerable quantity of melting scrap as well as rerollable scrap. If this is agreed to in principle, details of the scheme could be worked out with the concerned authorities.

Opening of Stockyard at Mandi Gobindgarh

A large number of scrap rolling mills are located at Mandi Gobindgarh, Punjab

Production of Semi-Finished Steel for Sale: 1970-71, 1971-72 and 1972-73 (**Upto June '72**)

(In '000 tonnes)

Names of the producers and years	Production of Semi-Finished Steel						
	Blooms	Billets	Slabs	Tin Bars	Hoe	Skelp Bars	Total
1. Bhilai							
1970-71	1.0	271.6	..	..	..	..	272.6
1971-72	55.0	433.3	..	..	..	..	488.3
1972-73	3.0	71.9	..	..	..	..	74.9
2. Rourekela							
1970-71	..	..	0.3	..	..	..	0.3
1971-72	..	..	0.6	..	..	..	0.6
1972-73	..	..	0.1	..	..	..	0.1
3. Durgapur							
1970-71	11.1	37.8	21.3	..	..	..	70.2
1971-72	15.7	56.3	7.3	..	..	7.8	87.1
1972-73	4.8	29.7	1.5	..	..	..	36.0
HSL Total							
1970-71	12.1	309.4	21.6	..	..	..	343.1
1971-72	70.7	489.6	7.9	..	..	7.8	576.0
1972-73	7.8	101.6	1.6	..	..	..	111.0
4. TISCO Ltd							
1970-71	64.3	204.5	7.9	91.0	6.7	17.4	391.8
1971-72	67.4	185.7	7.5	103.7	6.7	14.7	385.7
1972-73	14.9	51.4	3.5	25.9	2.3	4.4	102.4
5. II&S Co Ltd							
1970-71	..	59.0	..	..	..	..	59.0
1971-72	..	42.8	..	..	0.1	..	42.9
1972-73	..	8.1	..	..	..	..	8.1
6. MI&S Ltd							
1970-71	1.7	54.4	..	..	..	..	56.1
1971-72	..	..	..	..	..	..	..
1972-73	..	..	..	..	..	..	..
7. Grand Total							
1970-71	78.1	627.3	29.5	91.0	6.7	17.4	850.0
1971-72	138.1	718.1	15.4	103.7	6.8	22.5	1004.5
1972-73	22.7	161.1	5.1	25.9	2.3	4.4	221.5

NB:—1972-73 (April June '72) figurers are provisional as the data on the production of certain units have not been recieved.

Production of Ingots: 1970-71, 1971-72 and 1972-73 (Up to June '72)

(In '000 tonnes)

Names of the Producers	1970-71	1971-72	1972-73
Hindustan Steel Ltd			
1. Bhilai	1,939.8	1,953.2	466.2
2. Rourkela	1,038.2	822.7	239.8
3. Durgapur	633.9	700.0	168.1
HSL Total	3,611.9	3,475.9	874.1
4. Tata Iron & Steel	1,714.9	1,708.4	373.5
5. Indian Iron & Steel	627.0	617.1	91.3
6. Mysore Iron & Steel	90.7	131.4	38.8
7. Others	93.5	479.8	120.0
Grand Total	6,138.0	6,.412.6	1,497.7

NB: 1972-73 (From April-June '72) figures are provisional as the data on the production of certain units have not been received.

and at places nearabout. Some time back Messrs Tatas had opened a stockyard at Mandi Gobindgarh and this has been very beneficial to the scrap rerollers in the region. SRMA again submit that HSL should also consider opening a stockyard at Mandi Gobindgarh. As far as we know this had been almost finalised. It is therefore urged that there should be no further delay in opening the stockyard.

It is apparent that even with the best of efforts the scrap rerollers will be compelled to make do with the present distressing conditions. To avoid the hardship that results from very scanty supplies and also with a view to better utilisation of their capacity, SRMA would earnestly appeal to Government again to consider the possibility of import of scrap to supplement home shortage.

Distribution of Used Steel Rails

Government's decision to release stocks of used steel rails for distribution by JPC, and supplies to scrap rerollers through producers' stockyards will help this sector to some extent. The price of these rails had been fixed at Rs 887/- per tonne FOR/FOT ex stockyard and it was also decided that bars and rods rolled therefrom are to be sold at the BRC prices of March 30, 1972—Rs 1,177/- per tonne — the conversion charge working out to Rs 290/- per tonne. SRMA had earlier submitted to government that even if the scrap rerolling sector's capacity could be utilised to the extent of 40 and 60% a fair conversion charge would work out to Rs 375/- per tonne. It is, however, apparent that even with this additional availability the overall utilisation of capacity would be far less than 40 to 60%.

The base price of bars and rods for the rerollers has since July 22, 1972 been increased by BRC by Rs 92/- per tonne vide their Announcement No11 dated July 22, 1972. This would mean that the scrap rerollers would be able to realise additional Rs 92/- per tonne on products rolled from used steel rails.

The price of used steel rails at Rs 887/- per tonne FOR/FOT ex stockyard was fixed after taking into consideration the remuneration of the stockyards for handling these materials and also for carrying out other necessary services. Considering also that these used steel rails have been thrown up after years of long use by the Railways, there could not be any question of higher cost. In order however to maintain parity with the current BRC prices, it is but fair that the industry is allowed to retain this additional amount of Rs 92/-, regard being had to the fact that this additional amount would to some extent fill in the gap between their realistic conversion charge and the conversion charge now being given. The industry looks forward to a fair deal, and expects sympathetic consideration from the government.

Government of India through several public notices had been expressing their firm view that there is no scope for installation of fresh rerolling capacity, no doubt, considering the widening gulf between supply and demand of raw materials. Indeed, the central government had been advising the state governments to discourage licensing of new units. Yet, paradoxically enough no heed seems to have been paid to this cautionary note with the result that several hundred small units have come up who are now gropping in the dark in regard to raw material availablity. Even today reports of registration of new units are coming up. The effect has been that the established scrap rerolling sector has been very hard hit. In this situation SRMA could again urge that it may not be too late even now to take a firm policy decision over proliferation of units.

Production Pig Iron and Pig Iron for Sale: 1970-71, 1971-72 and 1972-73 (Up to June '72)

(In '000 tonnes)

Names of producers and years (1)	Production of Pig Iron (2)	(3)	(4)	(5)=2+3+4	Production of pig iron for sale (6)
Hindustan Steel Ltd					
1. Bhilai					
1970-71	794.6	1043.2	314.0	2151.8	553.9
1971-72	1076.1	831.9	217.8	2125.8	475.6
1972-73	338.1	186.0	23.0	547.1	145.6
2. Rourkela					
1970-71	1033.1	99.6	13.5	1146.2	95.7
1971-72	807.0	145.8	16.8	969.6	125.6
1972-73	232.1	11.3	4.6	248.0	13.9
3. Durgapur					
1970-71	188.2	782.9	..	971.1	330.3
1971-72	157.5	802.1	..	959.6	270.8
1972-73	171.3	48.2	5.7	225.2	67.9
HSL Total					
1970-71	2015.9	1925.7	327.5	4269.1	979.9
1971-72	2040.6	1779.8	234.6	4055.0	875.0
1972-73	741.5	245.5	33.3	1020.3	227.4
4. TISCO LTD					
1970-71	1635.3	..	22.1	1657.4	1.3
1971-72	1619.7	..	10.8	1630.5	1.8
1972-73	367.6	..	2.9	370.5	0.3
5. II & S Co Ltd					
1970-71	832.6	97.7	..	930.3	253.4
1971-72	804.4	106.2	..	910.6	211.6
1972-73	138.2	28.0	..	166.2	49.9
6. MI & S Ltd					
1970-71	46.8	28.9	1.4	77.1	30.3
1971-72	66.7	51.6	4.2	122.5	53.8
1972-73	20.2	21.7	0.7	42.6	12.7
7. IND. DEV. Corpn. Of Orissa Ltd					
1970-71	..	55.9	..	55.9	55.9
1971-72	..	60.8	..	60.8	60.8
1972-73	..	15.7	..	15.7	15.7
8. Sandur Manganese & Iron Ores Ltd					
1970-71	..	..	..	..	..
1971-72	0.4	19.2	0.6	20.2	20.2
1972-73	..	7.0	..	7.0	7.0
Grand Total					
1970-71	4530.6	2108.2	351.0	6989.8	1320.8
1971-72	4531.8	2017.6	250.2	6799.6	1221.3
1972-73	1267.5	317.9	36.9	1622.3	313.0

NB:—1972-73 (From April to June 72) figures are provisional as the data on the production of certain units have not been received.

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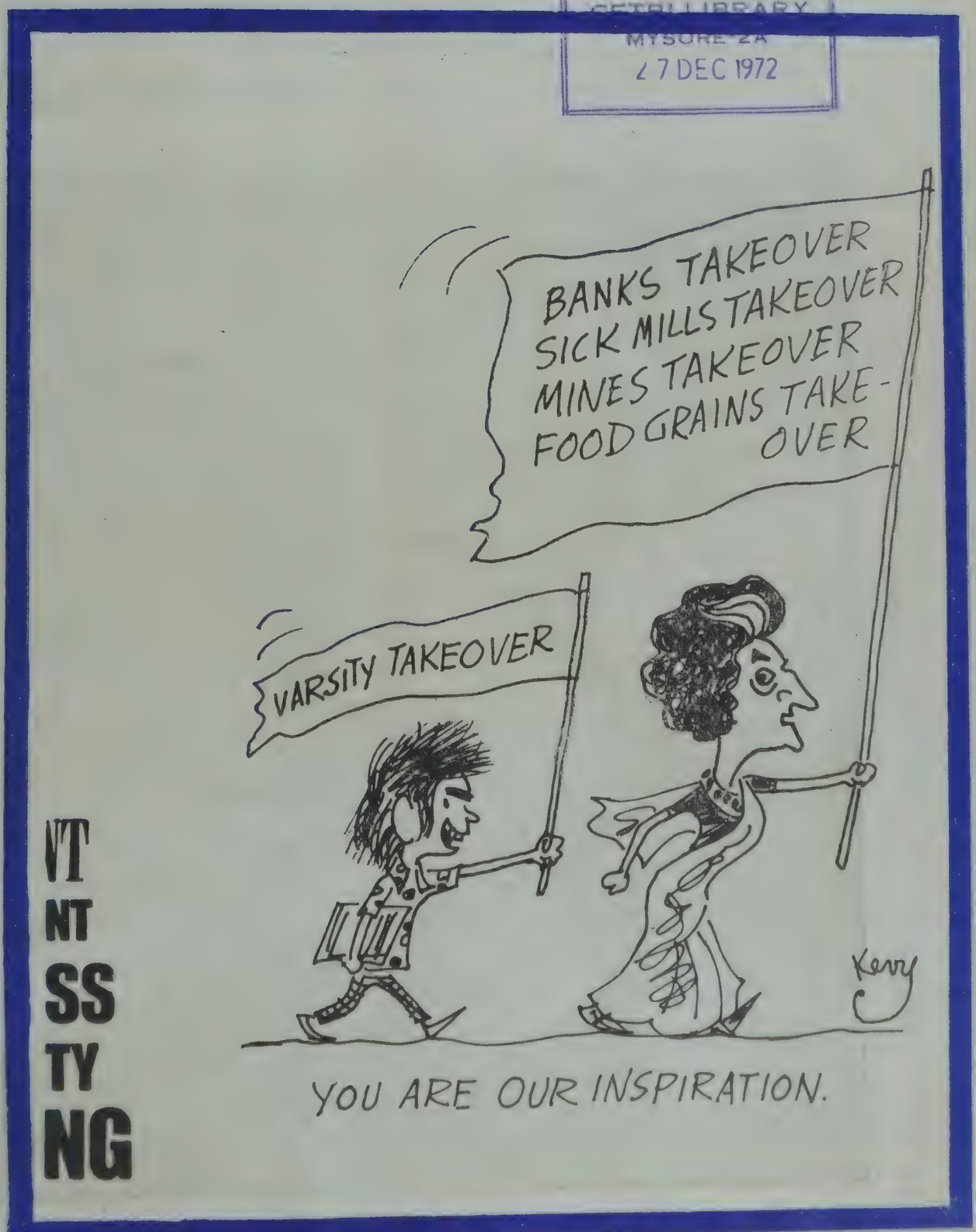
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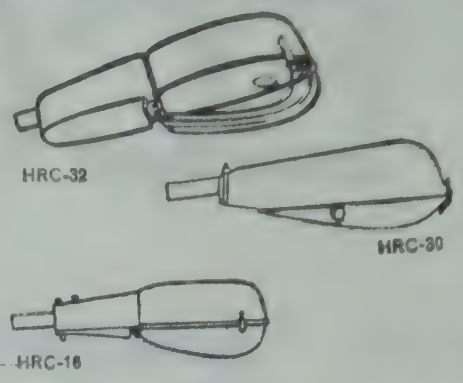
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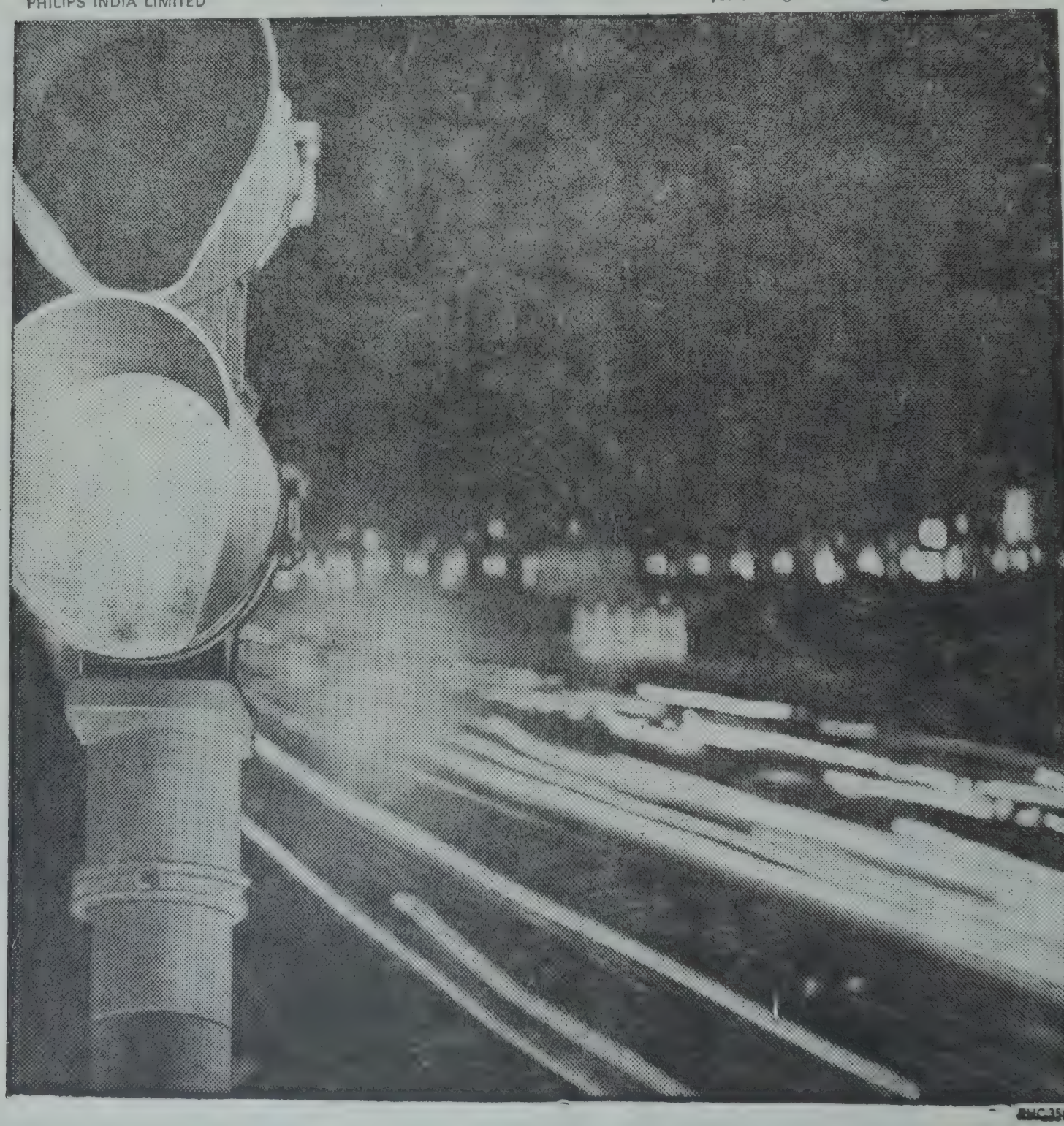
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Big business, bad or beautiful

ADDRESSING the International Seminar of Economic Journalists in New Delhi last week, Mr J.R.D. Tata made five precise, practical and positive recommendations for the nation realizing social justice through economic growth. Although they did not exactly amount to some original or revolutionary Panchsheel for economic planning, they had the merit of either committing his prestigeous support to certain live or emerging ideas on the next phase of the development process or imparting a very desirable emphasis to accepted priorities in planning. Thus, if his statement that the pursuit of economic growth should be underwritten by a strategy of raising the share of the poorest section of the population in the national cake at a rate even faster than that at which the size of the cake itself might increase could be seen to belong to the earlier category, his forthright warning against the current slack in the family planning programme would belong to the latter.

Outside this Mr Tata said many other things, most of which were naturally concerned with the government's political attitude towards big business. Speaking very much on the lines of a memorandum he had submitted to the prime minister some time ago, he protested against the nation's potential for rapid industrialization being stifled on the specious plea that the concentration of economic power in private hands had to be curbed even if this meant that restraints on production or investment were to be imposed "on about half of the productive capacity of the organized sector".

After dealing adequately with the damage which restrictive licensing practised in this context had done to the process of industrial expansion, Mr Tata, however, proceeded—as was also the case with his memorandum—to confuse a fairly straight and simple issue by calling on the government to make a distinction between saints and sinners while considering the expansion schemes or new projects of big business houses so that it might reward the virtuous with licences and reject the applications of the others.

Two points arise immediately. The government, as Mr Tata himself has noted, sees the issue as one of concentration of economic power in private hands. To bring into this discussion the question of "good" businessmen or business firms and "bad" businessmen or business firms is to spread or set out on a false scent.

Secondly, since Mr Tata himself has so ably contested the argument about "concentration of economic power", his essay into ethics is not only beside the point, but could damage the credibility of his main contention which was that the practising of restrictive licensing by the government, when dealing with industrial applications from big business houses, tended to immobilise a large part of the growth potential of the organized industrial sector. Mr Tata would appear to suggest, in effect, that it was not concentration of economic power in private hands that would be a danger to the community but only the concentration of economic power in the wrong hands. The Biblical analogy of the camel and the eye of the needle, it appears, had been too heady or raw; we now need, evidently, a more refined product, carefully double distilled.

It is worth asking whether Mr Tata has examined the implications of his prescription. He seems to advocate the compilation by the government of a list of "approved" big business houses after the manner of the listing of "approved" contractors and the blacklisting, for purposes of industrial licensing, those big business houses which have not made the "white" list. It could be gathered from his speech as well as from the memorandum that he would have the government keep out those big business houses, or individuals, or firms belonging to them, or connected with them, who or which might have been guilty of such anti-social practices as tax evasion, black marketing, illegal foreign exchange transactions, corruption or, strangely enough, what Mr Tata has chosen to describe as "political intrigues". He has not made it sufficiently clear, however, whether "suspicion" would be an adequate ground for blacklisting or the charge or accusation should have been brought home in a court of law or otherwise. In fact, it is not even clear whether he is thinking only of conduct which is guilty or punishable in law or also of anti-social practices which might be held to be "anti-social", but are not or have not so far been statutorily declared to be "economic" or other offences.

His mention of "political intrigues" and tax evasion or black marketing in one and the same breath has only clouded the issue further. He is mixing up conduct punishable in law with conduct which he or others may find repugnant to his sense of public morality but which can be judged, if at all, only in highly subjective terms. What Mr Tata means by "political intrigues" is difficult to understand. If he is talking of corrupt practices in elections, there is a law on that which applies not only to businessmen, big or small, but to everybody who takes part in elections;

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among those stories which deserve to be true, even if they are not, is the one which has it that Nehru, every time he took up a pen to sign a statement of his election expenses, used to feel not altogether easy about it.

If, again, Mr Tata's reference to political intrigues contains an allusion to the "buying up" of politicians by big businessmen, it is strange indeed that he wants ministers or government officials to preside over the process of blacklisting them. Here, perhaps, we come to the central weakness of his approach. Does he not realize that his scheme would end up in vesting the politicians in power and the bureaucracy functioning under them with Star Chamber powers over private citizens simply because they happen to be big businessmen applying for industrial licences? In such circumstances, anything is liable to be interpreted or punished as political intriguing if the government of the day finds it to its political advantage to do so. Even financing or otherwise supporting the Swatantra party, for instance, could easily be considered to be an intrigue against the ruling party or its politicians in office.

Mr Tata, moreover, forgets that workers or shareholders are also interested in the applications for industrial licences made by a given firm. How are their moral deserts or social worth to be brought into the picture ? So far as those who are in management at the board level are concerned, their qualifications or disqualifications are laid down in law or in the rules framed under various enactments. It is perfectly open to Mr Tata to suggest in this respect, if he considers this desirable, the further tightening of the Company Law or, perhaps, the making of new laws "creating" economic or social offences and also demand that those found guilty should be disqualified from the management of companies. But to ask that there should be a holy book for big businessmen of whom he would approve and a black book of those outside the pale or that ministers or government officials should handle all this business of separating the sheep from the goats or the black sheep from those of more acceptable fleece is surely so unlike of Mr Tata who is not known for a naive faith in the goodness of government as society's supreme mentor or monitor.

Perhaps this is not an issue which need be argued at length at all. Mr Tata has now before him the composition of the new boards of nationalized banks. He would certainly have noted that the government has kept out the organized sector of industry, not to speak of big businessmen, virtuous or not so virtuous. He, possibly, would have learnt also that one of these new directors, chosen to represent farmers on a bank board, has served a 14-year term in jail in connection with the activities of a political party which he had headed and which had a rather spectacular record of carrying out raids on banks, one of them, incidentally, being the one (pre-nationalization) on the board of which he has now been given a place. If, even after this, Mr Tata would not allow himself second thoughts on what is fast becoming his pet theme and still believes that the public interest can be served by entrusting undefined authority to the government of the day to exercise a kind of a moral censorship over big businessmen while considering the grant of industrial licences to them, he would be only using his position of leadership in the business world to weaken it and divide it against itself.

Do "credit ceilings" work?

FROM THE middle of last year to August of this year, the Bundesbank and the West German government have been meeting with a bit more success than previously in their efforts to keep bank liquidity low by skimming off foreign currency and by curbing its inflow into the West German economy. Certainly, the dams erected against capital imports have repeatedly been overflowed, particularly in January, February, June, and July of this year, but in all other months the banks' ratio of liquidity was held within the 6—8 per cent corridor. Compared to previously, ratios in this range are low: The average liquidity ratio from October, 1970, to May, 1971, was 8 per cent. Over the decade 1961-1970, there were only three years in which averages were below 11 percent; ratios of 13 and more were not uncommon.

Although liquidity was low and, correspondingly, long-term interest rates were high, the Bundesbank was not able to realize its goal of curbing the expansion of money and credit as a means of reducing inflation. On the contrary, the expansion of the volume of money and credit has accelerated to extremely high rates. By the end of June, credit extended by the banking system to non-banks directly and via the securities market had increased in volume by 16 per cent over one year ago and the volume of money (cash and demand deposits of domestic non-banks) exceeded the level of a year ago by 14 per cent. Growth of the volume of money in the broader sense (including short-term time deposits) decelerated but was still quite rapid (15 per cent).

All this has led to consideration of policy instruments which would directly regulate lending activity: Requiring a minimum reserve on bank lending, or setting a ceiling on bank lending to domestic non-banks.

"Taxing" the lending activity of banking institutions is an alternative but not a complement to "taxing" deposits, i.e. the "material" which credit is made of. Both approaches have a damping effect on the credit supply of the credit institutions as they would tie up liquidity reserves. This can be seen in a simple example. Assume that all credit institutions would try to loan out all additional funds gained through deposits, but that the central bank deems that only 90 per cent should be loaned out. To this end the same effect would be had by setting a 10 per cent reserve requirement on additional deposits or about an 11 per cent requirement on additional lending. (The higher the reserve on deposits, the greater the difference between it and a "corresponding" rate on lending). In either case, 10 per cent of each additional deposit would be frozen. A complete or partial replacement of the existing. deposit-oriented minimum reserve system with a lending-oriented system thus offers no basic advantage. It would, however, have an effect on the volume and the distribution of minimum reserve obligations and on the banks' balance sheets: Reserve stipulations vary widely, as do lending and deposit structures from bank to bank and banking group to banking group. Lending to non-banks by central giro institutions, for instance. far exceeds the volume of deposits from the non-banks. Such a change would result in them having to increase their reserves drastically. If there is to be an intensification of monetary measures, the simplest means—involving the least frictional loss, at any rate—would be to raise legal maximum reserves on deposits.

In contrast to liquidity measures, a

Cartoon: Correction

The cartoon published on the cover of the issue of *Eastern Economist*, dated December 1, was based on a report in the daily press that the Prime Minister and the Chief Minister of Haryana had a boat journey on the Bhatkal lake during her week-end holiday recently. It is now learnt that the newspaper report in question was not true.

ceiling on credit could directly achieve the desired effect—curbing the expansion of bank lending — if coupled with adequate checks and sanctions. Even so, the credit ceiling is not a suitable weapon for combating inflation.

Those advocating a credit ceiling usually argue that additional bank lending is monetarily and economically expansionary. It can be demonstrated theoretically and empirically, however, that the relationship between expansion of credit, growth of the money supply, and an economy's expenditure for goods and services are a great deal more complicated.

Bank lending and lending on other money markets is primarily for the purpose of financing a surplus of expenditure over income; deposits at banks and purchases of securities largely stem from income surpluses. Additional expenditure surpluses by firms can occur if expenditure rises while income increases less rapidly or not at all, or if expenditure decreases but income declines even more sharply. (This is correspondingly true of income surpluses, the sum of which is the "balancing item" of total expenditure surpluses). Moreover, loans can also be used for formation of monetary capital and cash reserves. It should thus be apparent that there is no strict relationship between credit expansion—however defined—and expenditure aggregates, e.g. the GNP. It is hardly a startling discovery that there is no direct connection between credit expansion and the volume of money (see graph).

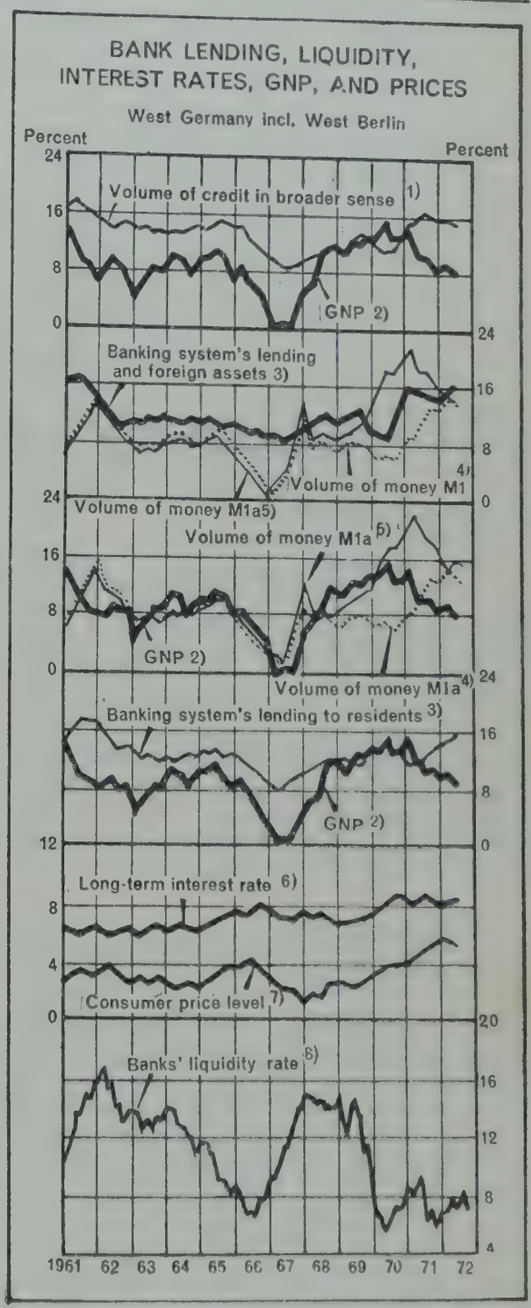
Credit institutions compete not only with one another, but also with other institutions and credit markets. If the bank loan supply is tightened by the central bank, potential borrowers to a great extent will seek out other sources (building and loan associations, insurance, direct credit from residents and non-residents). Particularly striking is the elasticity of foreign credit. From the end of 1969 to mid-1972, the volume of lending by domestic credit institutions (excluding the Bundesbank) to domestic non-banks, directly and via the securities market, increased by about DM 150,000 million; in the same period, the volume of foreign credit (net trader's credit, financing credit, long-term direct loans, and purchases of West German securities by non-residents) increased around DM 50,000 million, about DM 30,000 million of which were accounted for by hard-to-verify trader's credit.

These considerations by themselves justify scepticism towards a "credit ceiling", but not rejection of the idea. They do not foreclose the possibility that a credit ceiling, set low enough, could contribute to curbing economic expansion: If firms cannot do without credit to finance planned expenditure surpluses and cannot obtain credit, they will forgo the planned expenditure and perhaps even attempt to stimulate income by lowering prices. If the firms have financial reserves of their own, this effect will set in at a later stage, when the reserves are exhausted. The fact that there is only a limited correlation between credit expansion and GNP development, however, shows how difficult it would presumably be to find the happy medium between too low and too high a ceiling. (If expenditure and income were balanced for each economic unit total expenditure in an economy could rise without creating need for credit). But even the argument that other forms can be substituted for bank credit does not of itself dissuade from the idea of a ceiling, only from the idea of a ceiling on bank credit alone. A convincing appraisal is thus possible only after examining similar cases to find the general economic consequences of credit ceilings.

What will happen if a group of debt-free firms and households has an income surplus and wishes to deposit it at the bank, but the bank has already reached its credit ceiling and is not interested in assuming additional cost-producing deposits?

The answer is simple, if the ceiling applies only to banks: The firms and households will place their income surplus with other financial institutions, in the securities market, and — with financial brokers' participation—in the free market for private credit contracts and trading credit. These funds will be absorbed by firms which could not obtain credit at banks to cover their expenditure surpluses. A partial ceiling, i.e. limited to banks, would thus bring on a structural shift from which other institutions not subject to the ceiling, such as insurance, financial brokerage, would "unjustly" profit — at the banks' expense. To be sure, the banks could not be expected to tolerate such a situation for long. In all probability, they would become active in the foundation of new, "ostensibly" unproductive financial institutions, in order to at least indirectly defend their share of the market.

It would soon become evident that a partial ceiling could be circumvented, i.e. would be practically ineffective. The next step would therefore probably be imposition of a farther-reaching ceiling. To be applied consistently, this ceiling would have to extend into direct credit (industry clearing) and the terms of international trade; each firm would be assigned an individual ceiling on borrowing, and to preclude any indirect borrowing, the transfer of claims (e.g. market securities) would have to be prohibited. Certainly it is unrealistic to expect that an all-encompassing management of credit will be instituted in West Germany. However, as it is consistent, the system described is suitable as a hypothetical model: What will happen if a group of firms, which had



Note : Nearly all series (exception: long-term interest rate and liquidity ratio) show the percentage change from one year ago. Levels as of end of the period.

1. Obligations of domestic non-banks to credit institutions (including Bundesbank) money market, bond market, and foreign creditors (including cumulated residual item of balance of payments), as of end of quarter. 2. At current prices. 3. Credit institutions including Bundesbank. 4. Cash and sight deposits of domestic non-banks 5. Volume of money M1 plus time deposits from 1 to 3 months. 6 Returns on circulating domestic fixed interest securities. 7. Price index of private consumption. 8. Free liquidity reserves as a percentage of deposits, according to Bundesbank statistics.

already reached their credit ceiling, is confronted by a decline in sales and thus an unplanned expenditure surplus forcing them to apply for increased credit authorization or to dip into cash reserves? In centrally controlled economies, the attempt is made to pre-empt this problem by regulating credit as well as the expenditure and income of the firms. This contrasts with the free market economy in which the drawing up of expenditure and income plans is decentralized and a credit ceiling represents an inconsistency in principle. Two "solutions" would be conceivable in the situation described: Either credit authorities approve a raising of the debtor's credit ceiling or he must declare bankruptcy. No longer would it be up to banks and other creditors to determine the credit standing of a firm: this would be superseded by the administrative decision on the "justifiability" of an expenditure surplus.

Neither a partial ceiling, applying only to banks, nor an extended ceiling on all landing activity is suited as an instrument of stability policy:—A partial ceiling can be of only limited effectiveness and more over would cause shifts in market position at the expense of those institutions subject to and abiding by the ceiling. —An extended ceiling might well contribute to a stabilization of total expenditure; but, to the extent it is not circumvented, it would disengage the market mechanism and rigidify existing market positions. This would be to sacrifice basic principles—the free-market system—for the sake of one of the goals set forth in the Law on Promotion of Stability and Growth.

IIFT: impressive record

THE INDIAN Institute of Foreign Trade (IIFT) indeed, has come a long way since its inception in 1964. It has made commendable progress in all the four fields of its activity, namely (i) training of export management personnel, (ii) functional research into problems of foreign trade, (iii) marketing research within the country and abroad, and (iv) provision of consultancy services to exporters, particularly small and medium ones.

In recognition of the fact that international marketing decisions these days can no longer be left to chance or intuition and, consequently, export management personnel have to be trained methodically, the Institute has developed an umbrella of executive, functional and orientation programmes tailored to the practical requirements of different trades and industries. The more significant fact about these programmes is that, over the years, their themes and methodologies have been assiduously improved and diversified through continuing with the interests concerned.

The Institute has three types of training programmes. Junior executives of central and state governments, trade and industry and freshers from universities are imparted training for a period of 10 months at the end of which they are awarded diplomas in export marketing. For the medium level executives from trade and industry, there has been designed a training programme in export techniques, procedures and documentation which lasts for one to two weeks. The Indian Foreign Service probationers are trained in export procedures and intelligence for about six weeks under this programme. Then there are courses of two to four week's duration for senior executives of government, trade and industry on international marketing, trade policy and export promotion, overseas sales management and undertaking of research in international markets.

The usefulness of these training programmes can be gauged from the fact that about 70 programmes have already been organised by IIFT. Besides, 11 orientation programmes, one language course and three seminars have been organised. Nearly, 2,400 persons have participated in these programmes and courses, about 70 of them from abroad—Latin America, Africa and various Asian countries.

New approaches and styles are reported to have been developed recently by IIFT for training through extensive usage of Indian case studies, educational films, panel discussions, etc. Tne reading material for the programmes is made problem centred and action oriented.

As regards functional research, the Institute has undertaken studies in such diverse fields as transportation, shipping, export procedures and documentation, export pricing, export finance, etc. Currently, a survey of great significance is being carried on by the Institute. It relates to the export expansion possibilities through the generalised system of preferences. The Institute is also carrying on at present studies relating to the Kandla free trade zone and the setting up of an export bank. The usefulness of the research studies of the Institute is evident from the fact that most of the recommendations contained in them have already been implemented by the union government, particularly in respect of import replenishment and cash assistance for exports. The functional research studies are envisaged to be on a continuous basis so that remedical measures can be recommended to the government as and when found necessary. Delayed action, apparently, can cost a great deal in the present-day highly competitive world.

The Institute is taking keen interest in fostering exports of medium and small-scale manufacturers and exporters. Opportunities have been provided by it to 64 such exporters to imbibe first-hand market information. They have also been helped in making contacts with leading importers in selected developed countries dealing with machine tools, hand tools and cutting tools, castings and forging, finished leather and leather manufactures, handicrafts, processed foods, spices and nuts, marine products, plastics and light electrical goods. The exporters assisted by the Institute so far are stated to have already bagged export orders worth about seven crores of rupees. By 1974-75, exports through this programme are envisaged to be stepped up to Rs 21 crores. Many medium and small-scale exporters are said to be carrying on negotiations for joint collaboration arrangements with 40 different companies overseas, under the aegis of the Institute.

The Institute, all through its existence, has been deeply involved in marketing research, both at home and abroad. It has pioneered action-oriented surveys, especially in relation to non-traditional products the stepping up of whose exports is vital not only for the diversification of our export trade but also for meeting the growing foreign exchange requirements of the country. As many as 22 overseas market survey for various products, two country surveys abroad, 38 in-country studies — 30 product-wise and eight country-wise — and nine state export potential surveys have already been completed by the Institute. Besides, 30 seminars have been arranged in regard to non-traditional and traditional items of exports. All these surveys and reports are stated to have received approbation from the government. Implemental action has been taken by the government particularly on the reports on Indo-Nepal trade, Indo-Afghan trade and export potential surveys on marine products and coir and coir-based products.

Encouraged by the response of the

government to its studies of the foreign markets, the Institute has recently undertaken studies on export strategy in relation to non-Arab African countries and Latin American countries. Trade with the latter countries has been practically neglected so far by our exporters, presumably because of the long distance involved. In view of the keen interest shown by some of the Latin American countries recently for trading with us, this survey should prove of immense importance. The need for close co-operation with the neighbouring African countries obviously called for a concerted effort at assessing the scope of our trade with them. Already a good beginning has been made for fostering economic and technical co-operation between our country and various African nations. Our entrepreneurs are collaborating with Africans in setting up joint ventures in various fields; the latest addition to these joint ventures is the Pan-African Paper Mill set up in Kenya in collaboration with Birlas. The Institute has also undertaken recently a survey of consumer pack tea and coffee in the affluent markets of the west. It has on the anvil studies relating to Arab and Maghreb countries and some east European economies.

Arising from the recommendations of the Institute, several state governments have initiated a number of programmes for strengthening their export promotion effort. The Andhra Pradesh government has set up a full-fledged organisation — Andhra Pradesh Import-Export Corporation (now styled as Andhra Pradesh State Trading Corporation) — for stimulating exports of the non-traditional products of the state. The Mysore government has streamlined and diversified the activities of Mysore Sales International— a state enterprise — with wholesome results. In persuance of the recommendation of the Institute, most of the states whose export potential has been surveyed by it, have set up export promotion boards. The latest state to do so is Bihar. The export promotion board here has been set up under the chairmanship of the chief minister.

While the Indian Institute of Foreign Trade has done a good deal of useful work in helping to promote some of the elements of an infrastructure for the export trade, there appears to be a feeling in some circles that its efforts are being duplicated in some respects by the Trade Development Authority (TDA). It is also possible to argue that the export promotion councils are trying to plough some of the same field. To avoid duplication of effort, particularly in the field of exports by the small and medium manufacturers and exporters, it is imperative that the spheres of activity of the various agencies should be rationalised. There are also several other organisations in the country which are engaged in export promotion work. Close liaison among all of them needs to be fostered; only, the government should not be tempted to create yet another institution or authority for this purpose.

Looking at banking

AT THE seminar on the Banking System conducted under the auspices of the Institute for Financial Management and Research in Madras recently, important suggestions were made by experts on commercial and rural banking. There was general agreement that the development of commercial banking had proceeded on correct lines though it was felt that need-based lending had still to be perfected and the requirements of small borrowers in the interior areas particularly had not been properly served. Differing views were expressed about the desirability of bringing about drastic structural changes in the banking system as it was appropriately emphasised by Mr R. G Saraiya, Chairman of the Banking Commission, which recently submitted its report, Mr S.N. Sen Gupta, Secretary, Banking Department, Ministry of Finance, and others that the changes should be evolutionary in character and not revolutionary.

It was however emphasised that there was need for co-ordinating the activities of the different agencies as the concepts and principles of commercial banking were not exactly suited to the needs of a developing economy where greater emphasis has to be laid on the viability of new schemes rather than on the security that can be obtained against fresh loans. In view of the useful functions discharged by nidhis, chit funds, and indigenous bankers and their important role in promoting the saving habit in the lower income groups and the purveying of credit on a liberal, though costlier basis, it has been rightly argued that there should be an integration of the activities of commercial banks and non-banking financial institutions with the former helping the latter in respect of advice and the provision of finance wherever there is inadequacy. It is also by now generally accepted that the co-operative movement has not been successful in many states and politicalisation as Mr H.V.R. Iengar, the chairman of the seminar observed, has led to malpractices and mis-application of funds. It has therefore become necessary to nurse only those institutions which are functioning efficiently and promote rural banks backed by the resources of commercial banks in order to

Eastern Economist Annual Number 1973

The current issue of this journal is the last regular issue for this calendar year and the next issue, bearing the date December 29, will be Eastern Economist Annual Number, 1973.

The theme of this Annual Number will be "THE SEVENTIES AGAINST THE SHORTAGES." As the phrase suggests, this special issue will discuss the emerging confrontation between the needs and demands of the seventies on the one hand and the shortages of resources and materials which are beginning to surface. It is clearly necessary that the bottlenecks to progress should be identified and evaluated in time if the economic goals and social purposes of the nation's planning effort are to be achieved successfully. It is already becoming clear that scarcity of resources of all kinds are only too likely to come in the way of the further economic progress of the country, especially in the area of industrialisation. The Annual Number will attempt to analyse the causes and suggest remedies.

Illustrated with charts and graphs and carrying an interpretative section of statistics, the special issue will be priced at Rs. 10 per copy for casual sales. Regular subscribers will receive their copy without extra charge. Copies will be available from leading booksellers as well as from :

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provide liberal and adequate credit to small borrowers. It is expected that the volume of agricultural credit will have to be expanded continuously in the coming years as greater attention would have to be devoted to the developmental aspect with a strict enforcement of the ceiling laws and the absence of sizable surpluses at the disposal of individual farmers.

The seminar did not however highlight attention on the new crucial problems that have emerged in commercial banking and no attempt was made to find out a satisfactory explanation to the phenomenon of plentiful availability of resources with commercial banks when it was being complained that there was an unsatisfied demand for agricultural credit and for funds designed to help the growth of small-scale industries.

Apparently, there is a feeling that the present phenomenon cannot last long and with dynamic lending and successful functioning of credit guarantee schemes there will once again be a scarcity and not a dearth of resources. It is necessary however to examine closely the significance of the recent developments. With a revival of the agricultural economy and a vigorous implementation of the programme for opening new branches in urban, semi-urban and unbanked areas, it is quite likely that a hastening of the process of monetisation of the economy will by itself result in a sustained growth in deposits which may well prove to be in excess of the immediate needs of industry and trade and even small borrowers in the priority sector. An answer has obviously to be found to the new problems as a persistent slow growth of advances may well result in a discouragement of the effort to mobilise resources especially if surplus funds are to be invested in government securities and bonds which do not fetch an income adequate to meet the cost of deposits and the additional expenditure incurred on opening new branches.

The most important observations concerning the reorganisation of the working of the Reserve Bank of India and the restructuring of the banking system in order to cater for the new needs of a developed industrial sector and developing agricultural economy were made by the chairman of the seminar, Mr H.V.R. Iengar. There is much to be said in favour of his suggestion that the Reserve Bank should bestow greater attention to the problems of commercial, rural and co-operative banking and divest itself of the functions relating to the management of development banks, agricultural credit, inspection of banks and the like. There is no doubt that the Reserve Bank has become too unwieldy and changes in credit policies are being made on an ad hoc basis without any real attempt being made to assess correctly the requirements of the different classes of borrowers and evolving procedures which will result in a fruitful use of available resources and protecting at the same time the interests of depositors. The absence of any anxiety to think on these lines is perhaps due to the earlier fears that unexpected pressures will develop on the banking system and liberal lending should not also lead to unnecessary stickiness in outstanding advances.

It must be recognised that the situation in the banking world has undergone a significent change in the past two years and with unlendable resources many institutions have felt compelled to invest them in government securities and bonds. The central government particularly has greatly benefited by the opportunity for borrowing liberally through open market loans and meeting its rising level of non-Plan and Plan expenditure, the former particularly. As Mr S.L.N. Simha, the Director of the Institute for Financial Management and Research, has pointed out, massive borrowing by government can lead to an accentuation of inflationary pressures if available resources are not spent wisely and there is also no change in the method of government borrowing.

Immediately it has to be determined what is the role of the Reserve Bank in regulating borrowing through open market loans even when there is adequacy of resources with the commercial banks and what safeguards should be instituted for preventing an undue indulgence in deficit financing by the central and state governments.

After the recent arrangements for preventing unauthorised overdrafts by the state governments from the central banking institution, there should also be some limit to deficit financing by the central government and also borrowing through open market loans. The Reserve Bank is now playing a subservient role and the automatic creation of currency whenever the central government decides it has done incalculable harm to the economy. There should be a fiduciary limit as in Britain or sanction by Parliament after threadbare discussion. The Reserve Bank Governor should also feel free to differ from the government and his views should be made known publicly in times of crisis. With a more effective role for the Reserve Bank and the streamlining of the activities of the commercial banks the country can put to better use available resources and stimulate agricultural and industrial production. If only there is no serious setback to the agricultural economy and there is no let up in the pace of branch banking, the constraints arising out of inadequacy of financial resources will disappear and the emphasis will have to be for quite some time on finding fruitful applications for them.

Where our engineering goods go

A REGION-WISE analysis of India's export of engineering goods during 1971-72 reveals the need to give greater attention to the markets in Asia and Africa. Though Asia and Africa accounted for 47 per cent and 27 per cent respectively of the export of our engineering goods during 1971-72, there is considerable scope for stepping up exports to the countries of these regions. Thus, for example, out of the total exports of engineering goods to south-east Asia valued at Rs 32.96 crores, the bulk of them went to a few countries like Burma, Ceylon, Formosa, Malaysia, Singapore, and Thailand. It should be possible to step up exports substantially to these and many other countries of this area.

The offtake of our engineering goods by Japan in 1971-72 was only about Rs 20 lakhs. Though this was higher as compared to Rs 11 lakhs exported in the previous year, it is quite small in relation to our exports to the other developed countries of the world. In 1971-72 our export of engineering goods to the UK was valued at Rs 4.28 crores and to the USA Rs 3.73 crores. Numerous study teams and delegations have visited Japan from India in the recent years and they have made several recommendations to step up the exports of our non-traditional goods. But it seems that these recommendations have not been properly implemented. Our export of engineering goods to some other countries of south-east Asia declined in 1971-72 as compared to the previous year—to Burma from Rs 1.92 crores to Rs 1.89 crores, to Ceylon from Rs 6.47 crores to Rs 5.4 crores, to South Korea from Rs 39 lakhs to nearly Rs 9 lakhs and to Thailand from Rs 2.93 crores to Rs 2.75 crores. Our exports to Hong Kong and Indonesia practically stood still at about Rs 1.66 crores to each country in 1970-71 and 1971-72.

It it not clear what exactly was the value of the export of our engineering

goods to Bangladesh in 1971-72. The Home Bulletin of November, 1972, issued by the Engineering Export Promotion Council, says on page 1: "It is learnt that export to the tune of Rs 38 crores was effected to Bangladesh during January-March 1972 for which commodity details are not yet available. It is quite possible that a substantial portion of Rs 38 crores has been accounted for by the engineering goods." But on page 11 of the Bulletin, the value of engineering goods exported to Bangladesh is shown as Rs 160,19,050. This however, cannot be considered to be a "substantial portion" of India's total exports to Bangladesh in the last fiscal year.

The total export of engineering goods to West Asia was valued at Rs 25.35 crores in 1970-71 against Rs 25.77 crores in the next year. But there was a large fall in the exports to several countries in this region, such as Aden, Iran, Iraq, and Syria. However exports to Abu Dhabi, Afghanistan, Bahrain, Lebanon, and Saudi Arabia rose sharply. It is significant that exports to Bahrain jumped from nearly Rs 40 lakhs in 1970-71 to Rs 62 lakhs in the next year.

The exports to East Africa increased from Rs 7.30 crores to Rs 9.67 crores and to West Africa from Rs 5.80 crores to Rs 6.42 crores. But to North and Central Africa exports declined from Rs 21.46 crores to Rs 18.01 crores during the period under review. This was largely on account of the UAR whose offtake of our engineering goods fell to Rs 9.41 crores in 1971-72 from Rs 16.15 crores in the previous year. Exports to Ethiopia also fell sharply from Rs 46 lakhs to Rs 35 lakhs but there was a big improvement in exports to Libya from Rs 33 lakhs to Rs 67 lakhs.

The government of India has been giving a great deal of attention to the promotion of our exports to east Europe. But, so far as the engineering goods are concerned, not much effort appears to have been made in selling them to the countries of the region. The total exports of engineering goods to east Europe in 1971-72 amounted to Rs 13.10 crores compared to Rs 12.31 crores in the preceding year. In 1970-71 Yugoslavia, not Russia, was the largest buyer of our engineering goods, accounting for Rs 6.16 crores. Russia's share in that year was only Rs 2.33 crores. In 1971-72 Russia's offtake of our engineering goods was Rs 4.87 crores but that of Yugoslavia was only Rs 2.42 crores. The export of our engineering goods to the other countries of east Europe like Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania was relatively small.

The total exports of our engineering goods to west Europe was valued at Rs 11.55 crores compared to Rs 10.16 crores in 1970-71. The ECM countries accounted for Rs 5.83 crores, EFTA Rs 5.20 crores and other countries of west Europe Rs 49 lakhs in 1971-72. Their offtake in the previous year also was more or less the same. The major buyers of our engineering goods in west Europe have been West Germany, Holland, and Britain.

In the American region, the export of our engineering goods to the USA was valued at Rs 3.73 crores and to Canada Rs 29 lakhs in 1971-72 compared to Rs 4.29 crores and Rs 51 lakhs in 1970-71 The exports to South America declined to Rs 13 lakhs from Rs 32 lakhs in 1970-71 but there was an increase in the export to West Indies to Rs 37 lakhs from Rs 13 lakhs in 1970-71. Exports to Australia improved from Rs 1.64 crores in 1970-71 to Rs 1.76 crores in 1971-72 and to New Zealand from Rs 42 lakhs to Rs 1.43 crores in the same period.

The table alongside compares the performance of our engineering goods in 1970-71 and 1971-72.

The Engineering Export Promotion Council had fixed a target of Rs 165 crores for 1971-72 but the actual exports are estimated at Rs 126.04 crores. The main reasons for this "poor performance". according to the Council, are the following: shortage of iron and steel, imposition of import surcharge in the USA, international monetary crisis and the subsequent dollar devaluation, deadlock in the export to the United Arab Republic due to delay in finalising the trade agreement and depletion of funds; and the Indo-Pakistan War of December, 1971. Of the above factors, the shortage of iron and steel was the most serious impediment to the export of engineering goods. Apart from shortage, steel was not always available to the industry at competitive prices. The government has arranged for larger imports of steel in the current year and, with an increase in indigenous production, the supply position is expected to improve. But it is necessary to point out that the government of India and the Engineering Export Promotion Council should make more serious efforts to step up exports. The engineering industry especially in the eastern region continues to work with considerable idle capacity due to power scarcity and other causes. The government should remove these bottlenecks and assure industry of all facilities to maximise production. The Engineering Export Promotion Council should also display more vigour and enthusiasm in strengthening our hold in the existing markets and in finding new outlets especially in the countries of Asia and Africa.

Export of Engineering Goods : 1970-71—1971-72

(Value in rupees crores)

Region	April-March 1970-71	April-March 1971-72	% Variation over 1970-71	% Contribution to total export during 1971-72
Asia	51.30	58.73	14	47
S-E Asia	29.95	32.96	11	26
West Asia	25.35	25.77	2	21
Africa	34.56	34.10	— 1	27
East Africa	7.30	9.67	32	8
North & Central Africa	21.46	18.01	—16	14
West Africa	5.80	6.42	11	5
Europe	22.47	24.65	10	20
East Europe	12.31	13.10	6	10
West Europe	10.16	11.55	14	10
America	5.17	4.24	—18	3
Australia	2.07	3.24	57	2
Others	1.02	1.08	6	1
Grand Total	116.59	126.04	8	100

Eastern Economist 25 Years Ago

DECEMBER 19, 1947

The general pattern of progressive decontrol of food at the regional level exhibits three tendencies. Except in Peninsular India, the attitude has been to reduce rationing commitments as far as possible and as quickly as possible. Bombay is a striking example of a deficit province, which has decided to go all out in this matter of derationing. The attitude of the Central Provinces, which is surplus in an overall sense, is more easily understandable, but Bombay's exuberant enthusiasm is hard to explain, especially in view of the public declaration of the Minister concerned that he was opposed to decontrol. The United Provinces, which is nearly self-sufficient, has shown greater restraint. The discipline shown by the governments of the units in following the Centre's lead is admirable in the larger political and constitutional context. Generally speaking, the all-India picture of decontrol has developed in such a manner that there is not much meaning in applying the adjective 'gradual' to the derationing process.



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Whither central banking?

H. V. R. Iengar

Mr H.V.R. Iengar's inaugural address to the seminar on the Banking System held in Madras earlier this month, under the auspices of the Institute for Financial Management and Research, seems to have attracted wide attention because of its forthright comments on certain aspects of central banking in this country and the functioning of the Reserve Bank of India. We are, therefore, reproducing here the relevant passages from his address. Mr Iengar, who is chairman of the board of governors of the institute, was also chairman of the seminar. Please see also Pp 1251-56

IN THE ten and odd years since I relinquished charge as governor of the Reserve Bank of India, the Indian banking system has undergone far-reaching changes, reflecting both the needs of the Indian economy and the changes in the government's economic philosophy. The injection of politics into banking is not an unmixed blessing. In particular, it has tended to give a tinted image of the effect of the nationalisation of the major commercial banks in July 1969. There is a tendency to suppose that the only major developments in banking have taken place since then and that nationalisation has become one of the major tools of the *Garibi Hatao* progrmme through an expansion of banking activities by leaps and bounds both functionally and in terms of geographical coverage. Far be it for me to deny that nationalisation has given a concerted push in certain directions, a push which, in many cases, was badly required. But historical objectivity compels one to reiterate that Indian banking had made substantial progress even in the pre-nationalisation days, a progress whose pace and direction were determined by the historical forces operating at the time. Even in a period of revolution, there are certain matters which cannot be subjected to too rapid a change without danger and one of these matters is the financial mechanism of a country.

process of elimination

By the mid-sixties the Reserve Bank of India had more or less completed the process of elimination of the weak units which had proliferated during World War II, and consolidated the banking system. Functionally too, some orientation had been given to expansion of credit for small-scale industries and participation to some extent in medium-term financing. To stimulate the participation of commercial banks in the provision of medium-term finance, refinance facilities were offered through a special institution called the Refinance Corporation for Industry. For assisting the development of banking habit deposit insurance had been instituted. Another area in which, by the mid-sixties, the banks had made substantial progress was in the field of expansion of branches particularly outside the city areas, and the training of staff to equip them for a much faster expansion of branches and diversfication of their activities. There was little attempt to give credit to the farmer because at the time the deliberate policy of the government was that rural credit should be the prerogative of co-operative institutions.

In other words, in the ordinary course, important changes in the functioning and management of banks, including a great deal of professional element in the top management had taken place. What has happened is a further push and orientation through conscious state policy; this would not have been possible without a great deal of confusion before the earlier steps that had been taken. In a planned economy like ours, governmental direction and initiative are not only inevitable but desirable to a large extent. The last three years have witnessed a vigorous expansion of branches of commercial banks and a serious effort at credit planning. But it must not be forgotten that deposit mobilisation has been facilitated to a large extent by the substantial deficit financing of government; and this mobilisation would have happened whether banks had been nationalised or not. To what extent the expansion of branches has been done at the cost of quality, it is not easy to say. There are certainly complaints that quality has suffered and indiscipline has increased. Also, one suspects that there has been over-emphasis on the flow of credit to the so-called weak and priority sectors, without considerations of ultimate viability. There are complaints too that so far as the top management of the commercial banks goes, by and large there has been no radical departure from conventional attitudes and methods of working.

lack of specialisation

It would also seem that for the tasks that have been set for the banking system the banks in general have not built up adequate staff—not so far as numbers go; if anything, perhaps there are too many employees—but in regard to specialisation. Banks are now called upon to function as developmental agencies, not only providing credit but, to an extent, helping the establishment of business units, particularly by the small entrepreneurs. To meet the challenges of their functioning as development agencies, banks have to engage in the recruitment of hundreds and thousands of specialists and also provide massive training facilities for the staff at all levels. I would consider this as one of the important points of the Commission's recommendations—in particular, what they say about infusing into the minds of the staff a sense of their *involvement* as essential elements in the totality of the country's economic programme. It is worth recalling, in this context, that initially after nationalisation there was a sense of euphoria about this amongst bank employees but this has tended rapidly to disappear.

I consider that possibly the most important of the recommendations made by the Banking Commission relates to the organisation of agricultural credit, particularly to the farmers who may be regarded as below the poverty line.

In regard to farmers generally the policy of government ever since the turn of the century has been to depend on co-operative organisations. Following the experience of what happened in Germany, Denmark, Holland and other places and also in Japan, it was believed that if only farmers got together and constituted themselves into co-operatives, such a structure would enable them to organise effectively the provision of the credit required for their agricultural operations and getting out of the grip of money-lenders. There was a basic fallacy underlying this concept because in the countries referred to, farming was a successful form of business in the sense that farming generally provided a surplus. In India that was never the case except in regard to the few who happened to belong to the category of large-scale farmers. Nevertheless, government swore by the co-operative movement and for a period od of over 70 years we have tried to build the whole structure of rural credit on the basis of co-operative organisations.

basic concept

The political independence in the country made no change in this basic concept, but it has led to two changes one of which really goes to the root of the whole problem. I refer to the proposed legislation on the ceilings on agricultural holdings. I know the government has been faced here with a cruel choice. With the tremendous growth of population the pressure on land has been increasing relentlessly and from this point of view there are possibly good grounds for the proposed legislation. But I would point out that from the point of view of creating a viable rural economy the effect of ceilings on agricultural holdings may well be to eliminate or perhaps to reduce the surplus in agriculture. The second change that has taken place is that since Independence there has been a more systematic analysis of the problem involved. This, for the first time, was undertaken by the All India Rural Credit Survey carried out by the Reserve Bank of India under a Committee of Direction. Unfortunately, the report added more philosophical arguments in support of previously accepted dogma. In their general report the committee pointed out certain basic factors which, they said, led to the comparative failure of the co-operative movement. The fundamental factor to which they drew attention was that the majority of villages were poverty stricken and, consequently, had no surplus, and that at the bottom the movement consisted of a combination of the weak. They might well have said that this was so not merely at the bottom but at various levels except at the top. In an extremely well-written but, in retrospect controversial socio-economic analysis, they pointed out that apart from functional, structural and administrative defects, the main cause for the failure of the co-operative movement was that during the colonial regime to which this country had been subjected, the rural structure which previously had been based on caste and had been economiclly self-sufficient had had, superimposed on it, a powerful urban, highly monetised economy supported by colonial rule and administration and by big financial institutions.

While the colonial rule itself underwent transformation and gradually gave rise to an independent democracy the nature of the association between the rural community and the big financial institutions centred in urban areas continued without change and this made it impossible for the co-operative movement to succeed. The committee accordingly recommended that the only manner by which the movement could succeed was by making the poor sections of the community, which meant the overwhelming majority of the rural population, have the support of a countervailing force which could be expected to be more powerful than the urban financial institutions. In their judgement such a countervailing force could only be the state and in the main their recommendation was that the co-operative movement should, as its principle prop and support, be partnered at various levels by the state. This was the basis of the consequential recommendation that the governments should participate in the share capital and consequently in the management of the co-operative institutions of various types.

ideological concept

Although this recommendation was accepted by government the problem was complicated by an excessively rigid adherence to certain ideological concepts. The main ideological concept was that the members of a co-operative society should know each other and consequently no co-operative society should be larger in geographical coverage than a single village. From time to time recommendations were made that it was essential for the success of co-operative institutions that they should be well managed and viable and, for, this purpose, the geographical coverage should be much larger than a single village, but government, for quite some time, obstinately refused to accept the proposal that there should be large sized societies.

Whether one accepts the fundamental socio-economic diagnosis made by the Committee of Direction set up by the Reserve Bank of India or not, it is manifest that they failed to notice that the state could, in a democratic set up, mean not an all pervading benevolent diety but only the government of the day manned by human beings. In other words the state would mean only the political party in power for the time being. I scarcely have to tell this audience what this has meant. The co-operative movement, by and large, has continued to be a failure in the real sence of the term whatever claims may be made about the increase in the number of societies, increase in membership and increase in the sums lent to farmers.

alarming overdues

Apart from the fact that there are considerable areas in the country where, on any reasonable standard, the movement has totally failed, even in those areas where it has been regarded as being reasonably successful unauthorised overdues have increased alarmingly. More important, there are legitimate complaints that in their operations the societies have failed signally to give the legitimate share of credit to the weaker sections of the community. In other words, the complaint, for which there has been great deal of justification, is that the more substantial farmers have benefited from the resources available to the co-operative institutions because they have political pull. It cannot be gainsaid that there has been too much of politicisation in the functioning of co-operative societies and this has cut right across the principles and concepts on which the movement was originally based.

It is against this background that the Commission has recommended a system of rural banks. The Commission has not gone to the extent of saying that co-operative societies should be scrapped. I imagine one could scarcely expect that from a Commission headed by Mr R.G. Saraiya. What they have suggested instead is that where they are efficiently being run they should be operated as rural banks. In other places, which means over the major part of the country, the system of rural banks should be set up backed by commercial banks. In other words a significant change in concept has been introduced, namely that instead of state participation there should be participation by commercial banks. The basic idea of the co-operative move-

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ment, that it should be a union of people who intimately know each other, has been abandoned.

The question at issue now is whether commercial banks which, by and large, have been nationalised and come under the influence of governments can be trusted to be less political than government themselves. This is a question on which everyone is entitled to have his opinion but taking a long view of possible political developments for the future, one is entitled to have doubts as to whether the change, although structurally important, is in fact going to be decisive in character.

Now I turn to a subject which, unfortunately, has not been referred to at all in the report of the Banking Commission because it was outside its terms of reference and yet this subject, namely the role of the central bank in the country's economy, is crucial to the whole issue of how the banking mechanism operates. It is crucial from two points of view—firstly from the point of view of the overall control of credit and secondly from the point of view of organising the mechanism for channelling savings into the organised financial sector subject to rigorous central discipline.

There were two objectives with which the Reserve Bank of India was set up in 1935; its primary purpose was stated to be the preservation of the stability of the currency but to this was added the rider that the bank should so operate as to subserve the wider national interest. There is a possible conflict of objectives here. In the context of developments that have taken place since Independence, the latter expression should obviously be interpreted to mean the furtherance of economic development in accordance with successive plans.

continuous inflation

The conflict lies in the fact that the furtherance of planned economic objectives in the case of a developing country such as India could only mean a continuous inflation of prices, which means a continuous erosion of the stability of the currency; this is inevitable in any development process for by no conceivable stretch of imagination could a country such as ours possibly raise resources, by non-inflationary means, enough to meet both current needs of administration as well as the needs of a massive developmental effort. The question has never been as to whether we could do without inflation; the question has always been what is the degree of inflation which the country can tolerate.

This is not a point on which any dogmatic views can be expressed because the problem is not one of mere economics; it is intermixed with problems of political psychology, for the degree to which people are prepared to sacrifice current consumption for future development involves questions of political compulsions and political freedom. There was a time when it was thought that 2 to 3 per cent rise per year in prices should be regarded as not unreasonable for a developing economy during the process of development. This was the view propounded by the well known economist Prof. Arthur Lewis and, in the first 10 years of planned progress, India was able to stick to this level. Over the period from 1952 when we began the era of planned development till 1962, the total increase in prices was 25 per cent—approximantely a little over two per cent per year. There are others who say that 5 to 6 per cent increase in price should not be regarded as unreasonable. But, however that be, it is clear that the increase in prices that we have recently witnessed in our country is of an order which, on any view, is wholly intolerable.

different effects

In this context the argument has been made in high quarters that inflation is a universal phenomenon and that what has been happening in our country is not an original sin but just part and parcel of worldwide economic process. But this argument overlooks the fact that in affluent societies, the effect of inflation is qualitatively wholly different from the effects of inflation in a poverty stricken country such as ours. In the United States, for instance, or in western Europe or even in Japan, inflation would conceivably mean postponement of shifts in the matter of durable goods; instead of changing automobiles or television sets over two or three years people would probably have to postpone doing so for an extra year or two. That would not seem to me a real hardship although the people of these affluent countries might think differently. In our country inflation. particularly of the magnitude which we have been witnessing recently, hits millions of people at the most vital spot, namely in their consumption of essential goods like foodstuffs and clothing. I consider that any comparison with what is happening with affluent societies is nothing less than an affront to the intelligence and the sentiments of our people, and I hope that we will not hear this again.

Where does the Reserve Bank of India come into this matter? The answer is that the Reserve Bank is the primary creator of currency and bank credit and technically has the major responsibility for creating the monetary conditions which create and sustain inflation. But unfortunately for the bank and the people of this country the Reserve Bank is not the sole deciding authority as to the degree to which currency and credit can be expanded at any particular point of time. The real deciding authority is government and government is subjected to several pressures, some perfectly legitimate and others quite illegitimate and in a democracy, government generally prefers to take the easy way, which is always open to the sovereign authority, of expanding credit. I am not saying for a moment that government should not exercise this right. Obviously there can be only one sovereign authority in a country and that should be the government elected by the people and responsible to the people.

objective frustrated

The Reserve Bank is in no position to assess the options open to a government and to assess the extent to which it is politically possible or expedient to resist pressures. But while conceding this, it is necessary to point out that the whole object of setting up a Reserve Bank in a country would be frustrated if the process of expansion of credit is virtually automatic as it is at present. When I was governor of the bank the procedure was that if the central government deposits fell in any week below Rs 50 crores, *ad hoc* treasury bills were automatically issued to make up the deficit and this was done way down in the bank hierarchy with the consequence that no one higher up, for example the governor, even knew about it till the weekly statement was issued. And no one knew about it in the Finance Ministry either. I believe it is correct to say that even today the process by which *ad hoc* treasury bills are issued to the central government is virtually automatic. There is no debate between the Reserve Bank and government on the question of the expediency of creating additional money. My point is that the object with which the central bank is set up in a country would be frustrated unless the expansion of credit beyond a certain limit is exposed to a debate between the bank and government and, if there was difference of opinion between the two, to a public debate in Parliament.

In Australia, for instance, the statutory provision was and perhaps still is that where there is a difference of opinion between the Reserve Bank of Australia and the Commonwealth Treasury

which could not be settled by discussion, the Governor has the right to set out his views in writing and the Commonwealth Treasurer formally exercised his undoubted prerogative of overruling the Governor, but the papers were all submitted to Parliament for debate. The virtues of some such procedure are twofold. First, it puts government to the necessity of exercising a conscious choice in a sensitive matter which could have serious political consequences. Secondly, it has the advantage that the country is aware of the options before government and the particular reasons which have motivated government in exercising any particular option. Where for instance the issue is one of increasing dearness allowance or defence expenditure, it is a matter of utmost importance that the country should be aware of the economic consequences of the financing of the additional funds required by recourse to deficit financing.

There are other issues involved which are also of some public importance. There are debates in our country as to what exactly is connoted by the expression "deficit financing". We had the curious spectacle the other day of some confusion of thinking in the treasury benches as to what would be the consequences, so far as its inflationary impact is considered, on an investment by commercial banks in government securities. It is of some importance that concepts should be clearly defined. This is not an esoteric subject. There is no reason why the issues involved cannot be explained in simple terms capable of being understood by the common man. I have come to the conclusion that these and other connected issues revolving round the question of how the Reserve Bank is actually functioning, in particular to what extent it is offering advice to government and to what extent gavernment is accepting or modifying its advice ought to be the subject of a new commission of enquiry.

There is too great a tendency in India to treat the operations of the Reserve Bank as a mystique to be discussed in public only at peril. But other countries have had commissions of enquiry, and nothing but good has come of the exposure of the mystique to the sunlight of such public discussion. Any such commission could go not only into the question of what constitutes money supply and deficit financing and the connected problems of the role played by the Reserve Bank and commercial banks in the floatation of government loans but also into another equally important subject, namely whether the Reserve Bank is inhibited in carrying out its primary role by the multiplicity of development tasks which have been loaded on its back such as industrial finance, agricultural finance, inspection of commercial banks and the rest.

There is undoubtedly a case for saying that in a developing country it is not enough for the central bank to devote itself exclusively to the primary function of regulating currency and credit and that it should take a live interest in developmental activities but prima facie, there is reason to think that we have gone too far in this direction by overloading the governor of the bank with a multiplicity of functions and that better results could be achieved if at least some of these functions were taken away from him.

Planning : next move

Phiroze B. Medhora

THE DECLINE in the economy and of the country's faith in planning can be traced almost to the same date : around 1965-66, the last year of the third Plan. Since then, India has resorted to annual planning which in fact has only been an organised collection of investment programmes; the fourth Plan lacked a defined impetus and appears to have been thrown aside half-way like an orphan.

The economy has been in no better shape during these years : the complacent attitude about agriculture, born out of five good monsoons, has been rudely shaken by this year's drought; in all other areas (industry, power, transport and so on) where human endeavour rather than nature is the main motive force, there has been a continuation of stagnating trends set off in 1965-66. This year marks the culmination of this trend when both national income and *per capita* income are likely to show a fall.

In any economy, government intervenes through fiscal and monetary measures to achieve economic —and social— objectives. Planning influences the degree of such intervention, covering particularly the pace and direction of growth; such physical intervention can be extended to cover other economic and social objectives like creation of jobs and thereby distribution of income and, following it, production structure.

It is in this direction that planning in India, as shown by recent documents on the fifth Plan, seems to be moving. Differences exist not about objectives as enunciated in the approach documents as on the relative weights to be given to the objectives, and on the implications of the objectives. Accepting the basic objectives, I shall, try to examine the implications and requirements of the new planning philosophy, particularly in repect of growth and production structure, role of state and management of the economy.

If the thrust of (government) planning policy is towards providing minimum incomes to all, it will turn out to be a major programme for re-distributing income — whether combined with growth and institutional change or not.

At present it is estimated that about 40 per cent of the population lives at income-levels below the poverty-line — defined as consumption of Rs 20 per month per capita in 1961-62 prices or Rs 40 per month in 1971-72 prices. The present distribution of consumption is as follows:

Population	Total consumption* %
Lowest 40 per cent	19.7
Next 50 per cent	53.2
Highest 10 per cent	27.1
	100.0

*The data relates to 1967-68, but would be approximately true for the present. The sources are the pioneering works on *Poverty in India* by V.M. Dandekar and N. Rath and *The Poor, The Weak and the Fourth Plan* by B.S. Minhas.

*Text of a lecture delivered on Tuesday, November 21, 1972 under the auspices of H.L. College of Commerce, Ahmedabad.

Assuming thet consumption is redistributed to provide minimum consumption to all (and apart from its implications on the production pottern), the revised income pattern is likely to be as follows:

Population	Total consumption%
Lowest 40 per cent	33.5
Remaining 60 per cent	66.5
	100.0

It is, however, on the production and growth pattern that the new objective will make the largest impact. Recent output from the Planning Commission suggests that it proposes a growth rate of 5.6 per cent per year for the fifth Plan period. Given a growth of population of two per cent per year, this implies an increase in per capita income of 3.5 per cent per year during the fifth Plan period.

Significantly, the rate of growth envisaged is no different from the earlier plans — five per cent under the second Plan, 5.5 per cent under the third Plan, and the rate of 5 to 5.5 per cent actually achieved in the two years 1969-70 and 1970-71 — when the impact of planning on actual achievements was minimal.

planning objective

I do not for a moment doubt that a 5.5 per cent growth rate, combined with a target for minimum ("satisfactory" as the revised *approach paper* states) consumption level for all, is substantively different from a 5.5 per cent growth rate under an assumption of constant consumption distribution pattern — and is an improvement on past planning objectives. But a deeper consideration seems to indicate that the proposed growth rate might not be consistent with the new planning objective (minimum consumption for all).

Firstly, assuming that a major change in the distribution pattern of income is not to be made (except for the transfer of income inherent in the proposed objective of minimum consumptiou level for all), the new objective will involve a larger than proportionate increase in production of some goods, mainly foodgrains and cloth, consumed by the poor. In respect of foodgrains alone, an increase of one-third in production is required to reach the new plan objective. Thus, in fact, the whole of the proposed increase in income above the population growth rate (27.5 per cent increase in income less 10.5 per cent increase in population, that is, 17 per cent) over the Plan period would be pre-empted by the need to bring up the consumption level of those below the subsistence level.

Secondly, we are still working on an assumption of an average population growth rate — which is a net of birth and death rates — for all sections of the population. However, the behaviour of birth and death rates is a function of the income level of different sections of the population and availability of public health amenities. Data on birth and death rates — and, therefore, on population growth rate — according to income pattern is not available, though it can be assumed that family planning, to the extent it has been effective, would be prevalent among the upper sections of the population. On the other hand, public health facilities, to the extent they have helped to reduce death rates, would have helped the poorer sections (though not necessarily only those below the poverty lino) to reduce their death rates.

high birth rate

Therefore, the birth rate among those below the poverty-line, and, as a consequence, their overall population growth rate, is likely to be high — higher than that for the population as a whole. If this is the case, then the transfer required to take care of population growth — which so far we have assumed to be at the average rate — has to be higher for those below the poverty-line. This would again mean that, of the 5.5 per cent growth rate, most of 2.1 per cent, assumed to take care of population growth, would be absorbed by increase in consumption requirements of the poorest sections. Thus while the 5.5 per cent growth rate would help to provide, at the end of the fifth Plan, a minimum consumption level to all, for the rest, it would leave the society exactly as it is today. It would hardly have raised the saving or the growth potential of the economy.

Thirdly, the data on consumption, given earlier, show that the consumption of 50 per cent of the population (excluding the lowest 40 per cent and the highest 10 per cent) is just about the average for the whole population — and is about one-seventh higher than the minimum subsistence level. As income increases, demand for consumption will rise at all levels of income. In other words, while marginal consumption is planned to be raised substantially for those below the poverty-line, it would be difficult to freeze the consumption of those above the poverty-line at the existing level. It would thus be found that a 5.5 per cent growth rate would leave little surplns for production of investment goods.

However urgent, minimum subsistence level cannot be the *only* objective of planning. If progress is to be achieved, improvement has to be offered not only to the lowest 40 per cent, but also to the next higher 50 per cent — though perhaps at a lower rate — who live at a standard of living only marginally above the minimum level. In a society as poor as India's, all, except perhaps the highest 10 per cent, must benefit from the development effort.

scope for expansion

Finally, experience of even the past twenty years suggests that, with a given rate of increase in agricultural output, a much greater growth rate is feasible in industry and infrastructure sectors. In fact, while agriculture is subject to diminishing returns at some stage, the scope for expanding industry and infrastructure, both on supply and demand considerations, is far greater.

In the past 20 years, the rate of growth in agriculture has been 3.3 per cent per annum, while the rate in industry has been six per cent. If it is necessary to raise agricultural production at a faster rate — and technological inputs make this feasible —, then it should help us to accelerate simultaneously the rate of growth in other sectors. In other words, given the agricultural situation, it makes it possible for us for the first time to break out of the 5.5 per cent planned — and 4.5 per cent achieved — growth groove in which our planners so far seem to have been bogged down.

A 5.5 per cent growth rate is thus inadequate in that it pre-empts resources for the consumption provision of the lowest 40 per cent, does not seek to do anything for the next higher 50 per cent who live hardly differently from them, and does not lay the seed for a higher saving and growth potential for the economy. To achieve all this, a minimum growth rate of 7 to 7.5 per cent must be provided for under the fifth Plan. Only a 7.5 per cent rate of growth is competible with the requirements of the new

strategy of providing for minimum consumption for all and for bringing about the required dynamism in the economy.

It is possible to appreciate the requirements of growth under the new strategy by examining the implications of the different rates of growth in terms of minimum consumption requirements and in terms of production pattern as given in table below :

It is evident from the table that the 5.5 per cent growth rate envisaged under the fifth Plan is inconsistent with the objective of providing minimum consumption to those below the poverty-line; what is more, production relations for the first time make it feasible to breakthrough the 5 to 5.5 per cent growth groove of the past and to achieve a 7.5 per cent growth rate — which, besides meeting the minimum consumption objective, makes possible an adequate savings and growth potential in the country.

II

Whatever the growth rate planned, the new priorities will have implications on various aspects of our economy that need to be taken into account. Rather than deal with specific sectors (agriculture, industry and so on), I shall deal with this in relation to various policy issues and implications. The areas most clearly affected are centre-state relations in resource-gathering, role of government, and economic policy as it affects management and productive efficiency.

Even without a rise in public sector investment (in industry or economic infrastructure), the new strategy will involve a considerable rise in the government's role on two accounts : firstly, due to the large employment programme intended to provide minimum subsistence incomes to all; and secondly, due to the need to provide for health and other amenities to these sections of the population. The cost of the employment supplement was placed by Dandekar and Rath at Rs 800 crores in 1960-61 prices — or Rs 1,600 crores in 1971-72 prices. The first *approach paper* on the fifth Plan had placed the cost of the employment and of the health/education programmes at Rs 11,000 crores over five years — or Rs 2,200 crores per year.

As present the total revenue draft (exclusive of transfer receipts like interest income) of the governments — central and state — is placed at 13 to 14 per cent of the national income, of which about nine per cent is obtained by the central government and five per cent is obtained by the states. Almost all the programmes for providing minimum subsistence — employment through road-building, greater social welfare by setting up hospitals and schools — would fall within the sphere of action of the states.

Irrespective of the agency executing it, the minimum subsistence programme will involve a major rise in the government's share of the total national fisc. The programme by itself, without the normal growth in government functions (which has been so characteristic of it in the past 20 years), will mean a one-third rise in the government's share in national income — from the existing 14 per cent to 20 per cent of national income at the end of the fifth Plan. Considering the fact that it has taken 20 years — and three border actions — to bring about an equal percentage shift in government's share, the magnitude of the task should not be under-rated.

One aspect of the shift deserves mention: a major part of the expenditure, as mentioned above, will be incurred by the states. In the past, revenue has been raised mostly by the central government, and the increase in states' expenditure has been financed to a large extent by inter-governmental transfers rather than by the direct revenue-raising efforts of the state governments.

On behalf of the state governments, it has been argued that the sources of taxation allotted to state governments are inelastic and that, in any case, with the central government pre-empting a portion of the national cake through its tax measures, the state governments find it difficult to impose additional taxation. Neither of these arguments stands up to scrutiny.

Firstly, the constitution-makers, in their wisdom, had allocated different sources to the various taxing agencies : as it has turned out, these sources are, earning-category-wise, also different, so that the centre in effect does not impinge on the revenue sources of the states. The argument that the centre pre-empts the tax capacity of the nation does not hold true as the state sources have remained relatively untouched. In any case, had the states made their tax effort, even in conflict with the centre, a more workable balance would have ultimately been worked out between the centre's and states' tax efforts.

Nor are states' tax sources as inelastic as is made out. Taxable capacity is a

Implications of Different Rates of Growth

	Existing		1978-79		
	Population	Consumption	Population	Consumption (5.5% growth)	Consumption (7.5% growth)
Minimum Consumption					
Lowest 40 per cent	40	19.7	44.2	37.0	37.0
Next 50 per cent	50	53.2	55.3	90.5	100.0
Highest 10 per cent	10	27.1	11.0		
	100	100.0	110.5	127.5	137.5

Production Pattern

	Existing	5.5% growth rate	7.5% growth rate
Agriculture	47.8	62.1	62.1
Industry	13.4	16.9	21.5
Tertiary Sector			
— Productive	34.0	42.5	47.6
— Government	4.8	6.0	6.2
	100.0	127.5	137,5

function of the level of income and its growth, and incomes in the sectors allotted to states for tax purposes have risen over the last 20 years : this is as true of agriculture as of expenditure — both of which the states have failed to reach effectively. It is evident that the arguments are alibis intended to cover the state governments' lethargy or reluctance in raising, through taxes, the resources required by them.

Much is expected of the Raj Committee recommendations on taxation of agricultural incomes. It has to be recognised that income-tax can only reach people above the exempt income level — and with land reforms, the number of incomes in agriculture above the exempt level is being reduced. Moreover, income is a discretionary concept, and, as the centre has found, taxes on income are fairly easily avoided; it will be even more so in agriculture where there is no salaried/fixed incomes groups to exploit for tax purposes. Income in agriculture is as discretionary as that of doctors and lawyers — and income-tax on it would be as easily avoided.

The problem in India is not only to reach those who, being above income-tax-exempt level, avoid taxes, but also to tax those below the tax-exempt level (which, at less than 10 times the per capita income, is already high). The problem is to reach those who are above the poverty-line and those below the tax-exempt level — or, as Dandekar and Rath put it, the top 10 per cent of the population on the basis of consumption (and income). In the case of agricultnre this can be done not through agri:ultural income-tax (worthwhile as the measure is, on ground of equity among taxable income-earners), as through land revenue or, as recommended by the Raj Committee, an agricultural holdings tax. The recommendations of the Raj Committee are in the right direction.

effective taxation

In the past the states have avoided the problem of raising resources, but if they are to bear their burden of tax-raising effort, the problem can hardly be postponed any longer — particularly now that productivity in agriculture is rising. Taxing productive agriculture inputs (like fertilisers) is economically unwise and self-defeating; land revenue or agricultural holdings tax is a more effective, efficient and fair means of taxing agriculture.

Even after this is done, however, it will continue to be necessary to provide for inter-governmental transfers through revenue-sharing and other means. At present the centre transfers annually about Rs 1800 crores (or five per cent of national income) to the states — about Rs 725 crores as share of taxes, about Rs 625 crores as grants-in-aid and other contributions, and about Rs 425 crores net (Rs 1100 crores gross less Rs 675 crores repayments) by way of loans. So far, apart from constitutional provisions, this exercise has been *ad hoc*, and has led to centre-state tensions.

There are two respects in which the centre's fiscal/financial powers are qualitatively higher than those of the states, namely, in respect of deficit financing (though, in this respect at least, the more brazen states have got away with their own mechanism of deficit financing, namely, unauthorised overdrafts) and foreign aid (here also, increasingly, state government agencies are being directly allocated foreign loans, as in the case of the World Bank loans for state agro-industrial corporations). state governments have often justified their profligacy by reference to the centre's access to such resources (which incidentally enables the centre to hide its own profligacy).

needed reforms

Two reforms in centre-state transfers need to be carried out to put them on a more equitable basis. Firstly, it is necessary that the states are given access to the extra-tax resources to which the centre alone has access today. On an approximate basis, the centre should agree to transfer, to the states as a whole, 50 per cent of the resources obtained by it through deficit financing and foreign aid. This would remove the present sense of inequity which the states seem to carry in the sharing of resource-gathering powers.

Secondly, the centre has still not worked out a fair basis of cost at which loan resources are transferred (the actual proportions of sharing among states being determined by the Finance Commission). It is apparent that sharing of deficit financing would be on a permanent interest-free basis, and foreign loans would be shared on average terms basis (both as regards interest and period of repayment). However, India is a federal polity, and the centre has a responsibility to bring about a relatively equitable distribution of incomes among peoples of the various states. If this responsibility is accepted internationally and differential loan terms are evolved to meet the needs of the more indigent nations, the case for doing so in respect of regions within a nation is much more valid and urgent.

At present, central lending (including lending to states arising out of statutory requirements, as in the case of LIC and banks) is at uniform rate. I suggest that for at least a part of such lending to states, concessional terms be evolved, depending upon the per capita income and tax-bearing capacity of the peoples of the different states. Rather than let the states put up agitations to secure a project within their borders, it is desirable that a proper resource-sharing basis be established among the centre and the states. It is only in this way that national cohesion can be built up.

clear framework

If planning is not to show the same poor performance in respect of basic objectives and of implementation, it will be necessary to lay down a clear framework within which it is to operate. In the past the Plans were imposed as a super-structure on an existing situation, whose relevance to planning was not examined at all. In 1951 India had inherited an administrative apparatus of *dirigisme*, based essentially on war-time controls and exigencies. Even the monetary policy was geared to raising monetary resources on the cheap for the state where production and investment controls (or lack of resources for them) prevented demand factors from operating in these areas. Price controls again (as in the case of steel) were intended to protect purchasers rather than stimulate production. The unthinking carry-over of this framework, without an examination of its relevance to the objectives of planning, has partly been responsible for the poor performance of plans.

It is necessary that the framework be examined strictly in relation to the basic objectives of planning. The primary objectives of planning can be defined as providing employment and minimum subsistence to all and maximising the rate of industrial growth with emphasis on core industries.

Existing monetary and fiscal policies, however, are intended to favour employment of capital rather than of labour. For example, a low rate of interest—where capital is more expensive in India than in advanced economies—tends not only to encourage wasteful use of capital but also to encourage adoption of capital-intensive technology and to make it economic to substitute capital for labour.

The rate of growth envisaged (5.5 per cent on an outlay exceeding Rs 50,000 crores) under the revised Approach Paper implies a higher capital: output ratio than in the past — and one not justified by our resource base.

The national rate of employment growth is not likely to be so large as to absorb the existing unemployed and the new-comers to the labour market. Necessarily, therefore, we will have to depend upon special state-sponsored programmes to generate the maximum employment possible.

The state cannot expect to continue in perpetuity employment-generating programmes hoping to find the maintenance resources from the rest of the system. State-sponsored employment programme should be treated as stop-gap arrangements, pending a sufficient dynamism in the productive sectors to absorb those on the labour market.

The state will seek to do this by various programmes like those for promoting productive investment. It is in this area that the government should seek to induce maximum growth of employment. In the field of monetary policy this will require pricing of capital which will induce greater use of capital. In the field of fiscal policy, similarly, incentives will have to be related clearly to employment, rather than to the use of capital.

doubtful logic

It is on this logic also that one may question the increasing tractorisation in egriculture at this stage of the country's development: while productive and protective inputs (like fertilisers and pesticides) in agriculture might be justified, it is doubtful whether the present (when the government is planning to introduce make-shift employment programmes) is the right time to introduce and promote labour-saving programmes (like tractorisation).

Significantly, if new jobs are created in metropolitan areas, they create a need for social amenities (housing, water works, transport) which create additional pressure on scarce capital resources. The metropolitan authorities have solved this problem only by ignoring it. When one considers the urbanisation process in India, one finds that the extent of urbanisation has far exceeded the resources generated in the urban areas or their ability to provide the basic minimum amenities to the urban dweller. The emphasis still seems to be on encouraging people to move into urban areas.

Rather than force people to move to jobs, it is desirable that, to the extent possible, jobs, are taken to the people. This would mean lesser expenditure on providing economic and social infrastructure (housing, water, power) which is inherent in increasing urbanisation and moving people to jobs. It is time a clear policy on urban development is laid down. Such a policy should first seek to bar additional construction for commercial purposes in all cities above a population of one million, and to discourage building such space in towns having a population of one to 10 lakhs.

regulation & control

Another area in which the new strategy of planning will require change is in the area of state regulation and control. By this I do not refer to the public-private sector relationships but esssentially to the basic sharing of responsibility between the centre, the states and governmental authorities and agencies. Given the fact that these three in effect control a large part of the economy, a proper definition of responsibility need not lead to any diminution or dilution in the basic state objectives or in their achievement.

The present system of regulation has two major defects: its objectives are not clearly related to to-day's priorities; and, secondly, it has led to the attenuation of the area of state control, at the same time as it increases the degree of state control. State benefits and state regulation, therefore, are confined to a small part of the total economy, leaving the rest to their own mechanisms of protection.

If a programme of investment of Rs 50,000 crores over the fifth Plan period, with the objective of improving (relatively) the lot of the poorest 40 per cent is to be carried out, it can hardly be done without considerable inflationary financing. Price rise in the past has not been due to productivity lags or wage inflation but has been due to government-initiated deficit financing. So long as deficit financing is resorted to, prices will continue to rise. Price controls do not curb inflationary pressures—they only divert them, thereby ereating further maladjustments in the economy (for example, stimulating demand for luxury goods).

Existence of inflationary pressures raises the problem of protecting real income levels of the population. Canute-like, our planners have been obsessed with a desire to stem the tide of Inflation: every plan contains price stability as one of major objectives of government policy. However, of the last twenty years, only four have been marked by price stability (in relation to the previous year), and over the twenty years, prices have risen by 90 per cent (the rise is much larger if related to 1955-56). It is dangerous self-delusion to expect that prices can be stabilised over the coming five years.

There is considerable talk about containing price rises through a price and incomes policy. It has to be recognised that, unlike in advanced countries, in India per capita income is low and illiteracy high. Where goods are sold unpackaged or loose, price control is easily evaded through manipulation of weights or quantities. It is known that even under rationing there is considerable exploitation of the poor; it is also well-established that most income payments to workers, either under drought relief schemes or for unskilled work (as on dams, road-building and other construction works), are much smaller than what is thumb-marked as paid. A price-and-income policy, as is understood in advanced couutries, is a chimera which (like many other aspects of aping of the west) we should not pursue.

feasible variant

The only feasible variant of the policy which the government could possibly follow is a public distribution system for a *few* goods (foodgrains, cloth, vegetable oils) through fair price shops. Even in these fields an adequate and effective public distribution system is not one which has the large amount of receipt-filling and record-keeping so characteristic of our present rationing system, but a simple tamper-proof packaging system which makes available to the poor what it says it makes available.

There is a case, as mentioned above, for fair price distribution of necessities; even this will amount to distribution of goods equal to about 25 per cent of national income (as against less than 5 per cent at present). However, for the rest, the government's policy should be not to control prices but to provide for a machanism for continuous adjustment to price changes. No economy can run for long on the money illusion—trying to cheat perennially fixed income earners and pensioners. It is suggested that all income earners below in income-tax

level are put on a sliding scale, their incomes being adjusted every year by the previous year's rise in cost of living.

Let me give as another illustration the case of organised labour. The state has tried to give, through legislation, increasing protection and benefits to such labour, leading to a magnificent superstructure of labour legislation in the country. At the same time, the state offers almost no protection to the unorganised (and less organised) sections of labour, like hotel and laundry workers. And the state has positively refused to grant or ensure to its citizens the right to work.

order of priorities

This is a wrong order of priorities, not only because it benefits and protects the better-off sections of labour, but also because such protection is entirely and perpetually dependent upon state intervention. The few organised workers are surrounded by a mass of unorganised employment and of the totally unemployed—who are constantly hoping to replace them, rather than depend upon expanding employment opportunities, for improving their lot.

Clearly to-day the state's priorities shouid be to create job opportunities and to improve the lot of workers in the unorganised sector. The organised workers are not only far better off than the average citizen, but are now in a position to take care of their interests. In fact, to the extent the state is able to perform efficiently the new tasks (creating job opportunities, protecting the less organised workers) outlined here, it would enable organised labour to bargain from a position of strength.

Another area of decentralisation should be in integrating and generalising benefits now available to limited sections of the population. Here again I would take the example of organised labour. To-day such labour gets special medical benefits. In urban areas, the concentration of such labour is sufficient to ensure specialisation and segregation of such facilities (medical benefits and hospital facilities) for them. However, factories outside urban centres often maintain facillties (dispensaries and doctors) limited to their workers and their families. It would be far better to impose a health levy on such factories, and use the funds to set up dispensary facilities for the whole population in the area—supplementing the resources from the factory with governmental funds. In this way, government resources can be used to extend health benefits to provide a maximum coverage.

The same policy of generalising benefits and decentralising responsibility, giving the state the primary task of achieving its primary objectives, can be extended to other spheres. In the field of industry, for example, rather than lay down detailed targets of production, it is far better that the state lay down the extent of investment and employment to be made available by industry, requiring industry to suggest programmes of development within that framework. When such programmes are presented for approval, the state can determine the fields in which investment would be permitted, vetoing programmes in over-extended or unwanted areas (for example, luxury goods). In this way the present system of detailed intervention in industry can be avoided*. This policy can be followed in respect of management of public sector units. The present system divides responsibility between the government and public sector units in a way which enables shifting of blame for their poor performance.

government's responsibility

Whether in respect of labour protection or public distribution, the government owes a duty not to the more powerful (like civil servants who want a price control for the cars they buy) but the more poor (agricultural wage earners, the vast mass of unorganised workers like laundry and hotel workers) and those below the poverty-line. Government priorities so far have been devoted to meet the needs of the few affluent (the benefit of income-tax exemption for interest on "small" savings increases, the more affluent you are). Steel is made available at international prices for export, but economists cavil at the suggestion that it should be made. available on similar basis for housing the poor. It is time the government defined clearly its priorities and concentrated its energies on implementing them effectively.

In India policy measures are hardly related to the objectives which they were intended to achieve, and have become ends in themselves. Thus for a long time, Plan fulfilment and achievement were related to the amount of expenditure incurred, rather that to the basic objectives of increasing national income or generating additional employment. Education or health objectives are measured by colleges and hospitals opened, rather than to the use the graduates are put to or to general improvement in people's health.

family planning

One of the major areas where we have achieved very little progress, despite considerable expenditure incurred, is family planning. Statistics are put out on the vasectomies performed, number of family planning devices distributed, posters and films on family planning produced, and expenditure incurred on family planning programmes. However, this has hardly made any impact on the growth rate of population, as the census data for 1971 prove. Bureaucrats have then come out with a sophisticated explanation about the likely rise in population which was prevented by the programmes—an area where it is hardly possible to present any proof!

Defined by any criteria, however, family planning is the most effective and cheapest form of improving general welfare. Family planning is, therefore, not a peripheral issue related to health programmes, but should be at the centre of the planning effort. The most effective family planning measure is not a potential birth prevented, but a pregnancy terminated. While, therefore, existing education measures might be continued for their possible long-term value, it is necessary that the government removes all restrictions, except those based on health grounds as judged by a medical practitioner, on abortion.

Planning is at cross-roads to-day. The fourth Plan failed to revive the role of planning as an instrument for dealing with the country's economic and social problems, after planning became discredited in the second half of the sixties. Unless the fifth Plan is formulated and implemented properly, it is likely that we shall be bogged down into an economic morass of the kind we have been witnessing during the last three years. This is the great challenge which our planners must face up to.

*Refer Industrial Development : A Quarter Century Review : *Commerce* of August 19, 1972; Cf. also Industrial Growth Since 1951 : An Assessment for an enunciation of policy relating to industry.

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

THE LOK Sabha had its say on the international situation this week. The course of discussion, however, was not much different from that of the deliberations on the issue in the Rajya Sabha last week.

The majority of the participants in the debate, whether they belonged to the opposition or the treasury benches, pointedly charged the United States and China with obstructing the process of a general easing of tensions the world over during the past about 18 months. They stressed that India should continue to strive for normalising its relations with the two countries, but felt that there had to be reciprocity by the US and China if any wholesome results were to be attained expeditiously.

The friendship between India and the Soviet Union was welcomed by many members. They wanted this friendship to grow. The Indo-Soviet treaty, it was emphasised, should not be taken by any country, be it the United States or China, as being directed against anybody.

It was generally stressed that Bangladesh must be made a party to any overall settlement of the disputes in the Indian sub-continent. With the exception of two members—Mr A.B. Vajpayee (Jana Sangh) and Mr Samar Guha (Socialist)—the Simla agreement was hailed by all the participants in the debate. Mr Vajpayee, however, felt that this agreement had been concluded in haste. Mr Samar Guha was of the opinion that India had erred in entering into this pact with Pakistan.

area of peace

Another important point made in the debate was that India should pursue more vigorously than hitherto the initiative taken by it to keep the Indian Ocean as an area of peace. It was also suggested by some members that we should not ignore nuclearisation. Mr Vajpayee, in fact, expressed the view that there could be no normalisation of relations between India and China unless there was nuclearisation of India. It was the parity achieved by them as super powers that was behind the detente between the United States and the Soviet Union, he pointed out.

Several members again called upon the government to come out with a white paper on CIA activities in India. Mr B.R. Bhagat (Congress) was of the opinion that the year 1972 would go down in history as a watershed between the policies of cold war, military pacts and confrontation, on the one hand, and a move towards settlement of disputes on a bilateral or multilateral basis, on the other.

The reply of the Minister for External Affairs, Mr Swaran Singh, to this debate also did not contain very much new. He reiterated the government of India's stand that Bangladesh had to be a party to all negotiations on the issue of POWs with Pakistan. Pakistan he pointed out, could not expect Bangladesh to participate in a discussion on any question, much less on the vital issue of POWs, unless its representatives joined on equal terms. In the absence of Pakistan's recognition of Bangladesh, this was not possible, he said. Mr Swaran Singh called upon Pakistan to recognise Bangladesh. He appreciated the efforts being made by President Bhutto at preparing Pakistan for this.

Simla agreement

India, Mr Swaran Singh further reiterated, would adhere to the Simla agreement in letter and spirit. This agreement, which provides for the settlement of all disputes between India and Pakistan bilaterally and peacefully, was the first step towards establishing peace in the subcontinent, he observed. He informed the House that settlement had been reached between the army chiefs of India and Pakistan over the Thako Chak area which was holding up the delineation of the line of control in Jammu and Kashmir.

Referring to Indo-Soviet relations, Mr Swaran Singh said that the friendship between the two countries had already become the envy of many nations. This friendship was based on principles and certain attitudes the two countries had adopted. He assured members that Indo-Soviet friendship was not directed against anybody.

The minister regretted that despite the efforts being made by India for improving relations with China, there was little positive response from Peking. If the speeches delivered by Chinese representative in the United Nations and the hostile statements made in Peking during the visits of foreign dignitaries were any indication, "we do not get the feeling that China is desirous of improving relations with us", he said. India's relations with the other neighbouring countries, Mr Swaran Singh, pointed out, were friendly. The efforts of the government would be to strengthen them further.

spirit of detente

Earlier, initiating the debate, the Minister for External Affairs spoke of the spirit of detente that is gaining ground in the world. He mentioned in this regard the visits of President Nixon and the Japanese Premier to Peking. These visits, he opined, had changed the situation in east Asia. He lauded the initiative taken by the West German Chancellor, Mr Willy Brandt, to lessen tensions in Europe.

In regard to Vietnam, Mr Swaran Singh said that the situation there continued to be of great concern to the world as well as India. He hoped that the talks between the US and North Vietnam would result in an early agreement so that peace could be restored to this strife-torn country. Mr Swaran Singh, however, did not appear to be very happy about the situation in west Asia.

The union Minister for Steel, Mr Mohan Kumaramangalam, assured the Lok Sabha this week that the government had an open mind on the issue of the expansion of the stainless steel manufacturing capacity at the Durgapur alloy steel plant. The assurance came from the minister during his intervention in a short discussion on the expansion of the Durgapur alloy steel plant.

The minister disclosed that the report of the high-powered steel delegation on its visits to western countries and Japan and the findings of the study team of the Central Engineering and Design Bureau of Hindustan Steel on the basis of its visit to steel mills abroad would be considered by the government before arriving at the final decision. He conceded that an experts committee had decided the

expansion of the Durgapur alloy steel plant from the existing capacity of 100,000 tonnes to 300,000 tonnes, providing for the production of 60,000 tonnes of stainless steel, but this decision had been changed in July this year to give priority for the production of seamless tubes. In November, it had been decided to re-examine the issue of the product-mix of the Durgapur alloy steel plant. He justified the change in the decision on the ground that fresh technical data had become available since the earlier decision was taken. He denied the allegation of Mr Jyotirmoy Bosu (CPM) that the government decision in regard to the Durgapur alloy steel plant had been motivated by political considerations. While affirming that seamless tubes and stainless steel were not necessarily mutually exclusive, the Steel Minister observed that he could not give any guarantee that the production facilities for seamless tubes would not be located in Durgapur as demanded by Mr Samar Guha (Soc.) who had raised the discussion. "It is very likely to be located there", he said. Mr Kumaramangalam made it clear that the government was fully and irrevocably committed to its decision to expand the Durgapur alloy steel plant to 300,000 tonnes capacity.

food imports

The Rajya Sabha passed this week the Food Corporation (Amendment) Bill which has already been adopted by the Lok Sabha. In his reply to the debate on the bill, in which some members pressed for the placement of the CBI inquiry into the affairs of the Food Corporation of India on the table of the House in view of the resignation of the chairman, Mr Iqbal Singh, the Minister for Food and Agriculture, Mr A.P. Shinde reiterated that in importing foodgrains, the government would not compromise the honour and prestige of the country. These imports would be only commercial purchases. Mr Shinde denied the allegation that the procurement, storage and distribution costs of FCI had gone up by six times per tonne in the past seven years. A committee, he said, was going into the question of effecting economies in the operations of FCI. Its recommendations were awaited. He did not agree with the observations of some members that FCI was a total failure. Another important point made by Mr Shinde in his reply was that the government's policy to end free trade as far as wheat and rice were concerned, was irrevocable. Mr Shinde revealed that the grain stock in the country was 4.1 million tonnes in the first week of November. It had gone down by 5.3 million tonnes since July.

In reply to a calling attention motion on the food situation in West Bengal, the Minister for Food and Agriculture, Mr F.A. Ahmed, told the Rajya Sabha this week that the West Bengal's requirements of food would be adequately met. He, however, pointed out that the situation in some other states was even worse than in West Bengal. He impressed upon members that they should take note of the fact that drought had created demand for foodgrains practically all over the country.

crash farm programme

Among the other bills which were passed by the Rajya Sabha this week were two Appropriation Bills seeking to authorise payment and appropriation of more than Rs 364.30 crores from the Consolidated Fund of India for the financial year ended March 31, 1971, and the current financial year. Out of the demands for Rs 360.78 crores made in one of the bills, Rs 150 crores had been sought to finance the current agricultural crash programme alone.

The Rajya Sabha also adopted the Carriage by Air Bill which sought to give effect to certain changes in liabilities of international carriers in the event of accidents, and the Seaward Artillery Practice Bill which aimed at amending certain provisions of the parent act with a view to vesting the power to authorise seaward artillery practice in the central government and also sought to reduce the minimum period of notice for practice to 14 days. It as well aimed at empowering the central government to delegate its powers to issue notifications to the state governments.

The Lok Sabha adopted three bills this week. These were (i) the Payment of Bonus (Amendment) Bill; (ii) the Coal Mines Labour Welfare Fund (Amendment) Bill ; and (iii) the Indian Railways (Amendment) Bill.

The Payment of Bonus (Amendment) Bill sought to replace an ordinance promulgated earlier this year to raise the minimum bonus to 8.33 per cent from four per cent as provided in the parent act. The most important observation made by the Minister for Labour and Employment, Mr R.K. Khadilkar, during the debate on this bill was that the expansion of statutory provision for the payment of minimum bonus to central and state government employees and a number of other categories of workers would be considered after examining the recommendations of the Pay Commission and the report of the Bonus Review Committee, bearing in mind the total impact of the payment of the bonus to government employees and other categories of workers on the economy. This demand had been made by several members in the House. The House rejected the amendment proposed by Mr S.M. Bannerjee (CPI) to extend the coverage of the Bonus Act to the employees of railways, the posts and telegraph department, defence, local bodies and hospitals.

The Coal Mines Labour Welfare Fund (Amendment) Bill sought to raise the cess on coal for providing better amenities to coal-miners from 50 paise to 75 paise per tonne. Several participants in the debate in this bill suggested that this cess could even be raised to one rupee per tonne so that a crash programme could be initiated to reduce the acute housing shortage for collieries workers. They, however, stressed that the increase in cess should not be allowed to lead to an increase in the price of coal for the consumer. The suggestion, however, was not accepted by the government.

The Indian Railways (Amendment) Bill sought to reduce the period of liability of railways, after the termination of the transit of goods, from the present 30 days to seven days.

separation of judiciary

A statutory separation of the functions of judicial magistrates from those of the executive magistrates has been recommended by the Joint Committee of the two Houses of Parliament in its report on the bill to consolidate and amend the law relating to the Criminal Procedure Code. According to this report, the judicial magistrates alone will hereafter be competent to try all criminal cases except limited ones like those relating to breach of the peace. The report was presented to the two Houses this week.

The bill, based on the recommendations of the Law Commission, seeks to replace the Code of Criminal Procedure, 1898, by an altogether new code. The committee has recommended that proceedings for maintenance of peace and order (under Section 107) would automatically stand terminated in case they are not finished within six months from the date of commencement. People with no ostensible means of livelihood would no longer be exposed to the risk of being bound over under the controversial Section 109. The committee has recommended the abolition of the institution of Justice of Peace. It has also made a provision in the bill for the right of maintenance of old and indigent parents by their son.

The other main features of the committee's report are: (i) special reasons

should be recorded by a court of sessions for awarding death sentences; (ii) all revisions should be heard and finally decided by sessions judges; (iii) appeals against orders of acquittal should be admitted only with special leave of the High Courts; (iv) enhancement of powers of chief magistrates to sentence an offender; (v) provision for summary punishment of witnesses for giving false evidence or fabricating evidence before a court of sessions and first class magistrate. The provisions of the bill are expected to simplify the procedure and make it speedier and more effective.

In a report to the Lok Sabha this week, the Public Accounts Committee of Parliament challenged the contention of the Railway Board that the scope for achieving substantial economies in the major areas of operation of railways was limited. The committee says that the economy drive in force during the last few years should be assessed and expressed in quantitative terms. Only that way the impact of the economy measures taken could be properly appreciated.

The following important information was provided in the two Houses by different ministers this week.

1. Steps have been initiated to remove unemployment among the diploma holding technical personnel during the fifth Plan period in view of the new types of industries coming up. It is considered essential that technical courses should be so modelled as to cater for the needs of new industries. The polytechnics in the country are being given autonomy to evolve new courses in collaboration with industries.

2. The government proposes to set up a proper machinery for discussion with the foreign oil companies to elicit information on their offer for government participation in their equity capitals. On the basis of these discussions, the government would be able to take a final decision whether to accept the proposal of the oil companies or to nationalise them.

3. The Indian Oil Corporation has made satisfactory alternative arrangements for the import of naphtha. This is part of the steps taken to see that the plans for naphtha imports are not throttled by foreign oils cartels.

4. The government would take some more time to take a final decision on the proposal to reduce the voting age from 21 years to 18.

5. Twelve diesel sets capable of generating 13.74 MW of power are likely to be installed in Punjab in the three months ending January next, over and above the 24 sets installed earlier with 26.44 MW capacity.

6. The tentative proposal for the fifth Plan for irrigation is that 6.5 million hectares of additional potential would be created from major and minor irrigation projects.

7. The foreign assistance utilised during 1970-71 and 1971-72 aggregated to Rs 701.4 crores and Rs 820 crores, respectively. So far, during the current year, agreements have been signed for foreign assistance to the extent of $ 400.76 million.

8. Larger industrial houses and foreign majority companies would not be allowed to participate in the projects of state industrial development corporations without the permission of the central government. Instructions have been issued by the centre that if the state industrial development corporations associate private entrepreneurs in the matter of implementation of the licences/letters of intent issued to them, they will ensure that the concerned corporation, together with other public financial institutions, holds more than 50 per cent of shares in the equity capital of the proposed project. The share of the corporation itself should not be less than 26 per cent. The instructions further provide that no other single entrepreneur is to be given a share in equity exceeding 25 per cent. None of the larger industrial houses and foreign majority companies would be allowed participation even upto 25 per cent without the approval of the central government. The instructions are intended to ensure effective control of the state industrial development corporations over their projects and to avoid possibilities of concentration of economic power in the hands of a few to the detriment of public interest. The larger industrial houses would be allowed to collaborate only in the core and heavy investment sector, but even for this the clearance under the Monopolies Act would have to be obtained.

9. There is no proposal at present under the consideration of the government to dovetail the five-year Plans of the Soviet Union and India.

10. Certain proposals are under consideration for introducing administrative changes for decentralising the organisational set-up of All India Radio.

11. India has received a proposal from the Soviet Union suggesting the replacement of the existing Indo-Soviet Shipping Agreement concluded in 1956. The 1956 agreement provided for the operation of liner shipping service between the ports of India and those of the USSR. The proposal is being considered by the union government.

12. In view of the escalation in costs, prices and wages, there is no scope for any reduction in defence expenditure.



World's Largest Free Trade Area

Jossleyn Hennessy
London

WINDOW ON THE WORLD

I
EEC Negotiations with EFTA

THE EEC's negotiations with the EFTA non-candidate countries will create the world's largest free trade area within the next five years, embracing 300 million people in 16 different countries. The division of western Europe caused by the establishment of the EEC in 1958, followed by the EFTA treaty in 1960, is ended, and the reimposition of tariff barriers between the candidate and non-candidate EFTA countries has been avoided.

Two main points emerge from the agreement. First, the period of transition to industrial free trade is five years, except for sensitive products, among which are aluminium, zinc, lead and cotton textiles. Here the transition period is eight years. For paper products, on which difficulties occurred between the UK on one hand and Sweden and Finland on the other, the transition period is 11 years and is based initially on a quota calculated on 1969-71 imports plus 12 per cent, but larger in the case of Finland.

Secondly, the only obligations into which the EEC has entered are commercial. No monetary, social, agricultural or industrial accord was envisaged. Therefore the EEC's working is not altered, nor is its body of custom based on gathering cohesion diluted. The exclusion of agriculture means that the EEC's common agricultural policy is unchanged. The EEC did, however, try to extract agricultural concessions from some of the countries, and in the end, on the insistence of Italy and the Netherlands, Austria, Switzerland and Sweden agreed on tariff concessions which will ease EEC exports of wine, fruit, vegetables and flowers.

Although considerable time was spent during the eight months of negotiating on questions like the trasition period for sensitive products, the conception of an industrial free trade zone was never in doubt. The negotiations were concerned with the mode of organising it. By the time, therefore, that the final phase of negotiations began in June, the areas left for discussion involved important though mechanical issues. The back of the negotiating had been broken. There was the question of rules of origin, which led to highly technical argument, largely because the EFTA rules are less restrictive than those of the Community. Then the duration for tariff dismantling had to be decided on some sensitive products, of which the most contentious was paper. Finally there was the question of the agricultural concessions that the EEC sought. All was, however, settled in the middle of July after an all-night meeting of the Council had agreed on compromises.

Although the basic agreement for each country remains the same, the non-candidate EFTA countries have different preoccupations and demands, and each agreement reflects this.

II
EEC Agreements with Different Countries

Iceland was the first country to reach agreement. The main points concerned, inevitably, fish, which accounts for 90 per cent of its exports. At the end of the day, frozen fillets were included among the products for which customs reductions were granted. This represented an EEC concession — at the beginning of June it was planning no offer on the product. The EEC also offered a 50 per cent reduction on the tinned herring customs duty instead of 30 per cent. Provision has been made for the Icelandic aluminium industry for which the EEC is the main outlet. The EEC has given an initial 30,000 tons quota, which it will import at gradually diminishing duties. None of this will become effective until the dispute over access to fishing waters around the Iceland coast has been solved.

Switzerland. The final agreement reached means that in five years' time the greater part of foreign trade will be carried out without customs duties or quantitative restrictions. There were no problems over the dismantling of tariffs except for a few sensitive products. The EEC abandoned the idea of delaying tariff reductions in the first years of the agreement for certain products. In the crucial area of clock and watch-making a compromise, which allows the export of rigidly quality-controlled components from the EEC up to a total of 50 per cent in a "Swiss made" watch, made it unnecessary to except clocks and watches from the free trade agreement. They will be subject to the normal reduction of customs duties over five years, although the EEC will not reduce the minimal levy on cheapest watches until the third year of the agreement. In agriculture, the free trade agreement will contain a general declaration that agricultural trade will be harmoniously developed. A joint committee will discuss any difficulties.

Austria's agreement means that some 80 per cent of its trade with the EEC will benefit from tariff concessions. Last minute difficulties were resolved when Austria accepted the EEC's last offer on paper, a matter of concern because of structural difficulties in the national industry. To the last, the EEC was anxious to obtain agricultural concessions on the fringe of the agreement. In fact, it was known in June that Austria could offer importing facilities for fruit, vegetables, wine, cut flowers and decorative plants

in exchange for beef, veal and cattle. In addition to the overall agreement reached, an interim agreement came into effect on October 1 making possible tariff cuts on both sides of 30 per cent in the industrial sector. This interim agreement needs no parliamentary ratification.

Portugal's negotiations with the EEC took longer than others because of its special agricultural demands arising from its dependence on agricultural products. Indeed, the EEC reserved judgment on agricultural problems until the concluding phase of the negotiations, partly because this linked its attitude to Portugal with agricultural concessions that might be gained from other countries. The final EEC offer on tomato concentrate involved a 30 per cent customs reduction, but a dispute between the candidate countries and the Six on import prices led to the decision that the Six will import it at 345 units of account and the new members at 270. Substantial EEC concessions were also made on wine, involving tariff reductions of 50-60 per cent, and on tinned fish. The EEC accepted that Portugal should be allowed to increase customs duties up to 20 per cent for imports, to a total of 10 per cent of total 1970 imports, in order to protect infant industries.

Sweden, of all the negotiating EFTA countries, wanted the closest relationship with the EEC—almost everything short of membership. The conclusion of the negotiations was held up because of steel, a sensitive product on both sides, and the rate of tariff dismantling on that particular product. The EEC announced significant improvements for Sweden in the rules of origin: incorporated products from third countries could amount to 20 per cent of the value of the finished product in the chemical sector, and to 25 per cent in the machinery sector. The EEC won considerable agricultural concessions; an undertaking to eliminate duty on EEC wine over five years and a 50 per cent tariff cut for grapes and peaches. In return the EEC promised to examine any difficulty for Swedish agricultural exports. Agreement on paper was held up by a dispute that Sweden and Finland had with the UK.

Finland's paper products represent about 60 per cent of its exports, and this was the dominant factor of its negotiations. Initially it wanted free trade in eight years, as opposed to the eleven that became the EEC's final position. Finland received a greater quota than Sweden in the final assessment of the initial amount to be imported by the EEC at the start of the transition period. Final agreement was delayed, however, because of the dispute with the UK. The EEC made no agricultural demands on Finland. The agreement will be formally signed when Finland has a new government. Later Finland announced its desire to negotiate a co-operation agreement with the east European organisation, COMECON.

The dispute was negotiated bilaterally, the EEC having made it clear that the UK should resolve its own difficulty. Ostensibly, the dispute was about British tariff parity with the EEC. The Six have a 12 per cent tariff on paper from Sweden and Finland. The UK because of EFTA, has none and, arguing that there is no reason to expect the tariff-free privilege to continue, wanted to give a duty-free quota of 70 per cent and exact a tariff on the remainder. This tariff would rise in stages to eight per cent in 1977, thus meeting the EEC tariff as it came down. The UK and the EEC would then lower tariffs together at the pre-arranged rate. In reply Sweden and Finland charged that the UK was erecting new barriers against them.

The reason behind the British move was less the desire for harmony with the EEC on tariffs than to protect a fragile industry against competition from the Six as well as from the Scandinavians. 7,000 jobs were lost in the British industry last year, when poor sales and higher costs diminished profits. In the first half of this year, British consumption increased in comparison with the same period of 1971, but British production was three per cent lower. The shortfall was made up by imports. In the long run, demand is likely to be higher.

No real compromise was reached; the Scandinavians, in fact, gave in. One concession that they gained was a higher duty-free quota—80 per cent. There will be a review in 1975.

III

EEC Relations with Third Countries

Japan. Although the EEC commissioner in charge of foreign relations, Mr Dahrendorf, visited Japan in May, no progress was made towards resuming talks on a trade agreement. The contacts were maintained when senior Japanese economic officials visited the Commission. The Japanese have, however, repeated their interest in "orderly marketing", that is to say, a self-imposed limitation on exports. Even though Japanese exports to the EEC rose by 30 per cent in the first months of this year compared with the same period in 1971, the Commission is hesitant because of possible infringements of the rules of competition. For all that, talks are proceeding in three professional sectors—steel, shipbuilding and the electro-technical sector—which could lead to self-limitation agreements. At this stage, it appears that the Commission is only likely to tolerate agreements in a few special sectors. Any general agreement is likely to be ruled out.

The Mediterranean. The Council has been unable to define an attitude on general policy so far. Part of the difficulty is the definition of a "developing country", as the EEC has undertaken to offer generalised preferences to the Third World. There are two approaches to the Mediterranean question: One favours the existing system of agreements subject to the necessary adaptation caused by the enlargement of the Community, while the second favours the offer of a "free trade area" to the Mediterranean countries, with special provisions for agriculture. The Commission was asked to reconcile proposals with a view to a policy decision by October. Nevertheless individual contacts have been proceeding with countries around the Mediterranean, as follows:

—The conclusion of a preferential agreement with **Egypt** is expected as soon as the Council can modify its proposals on rice and fresh onions.

—Negotiations with **Algeria** on a general agreement of association have started. The Commission was only briefed on trade aspects of the agreement and discussion has therefore been confined mainly to that. There are two immediate sticking points: Algeria considers the nil duty quota on 240,000 tons of petroleum products to be too small; and on wine, it refuses to accept the prohibition on blending.

—The Commission approved a communication to the Council defining the terms within which detailed agreement might be negotiated with **Morocco** and **Tunisia** which, unlike Algeria, already nave contractual links with the EEC. Mr Dahrendorf visited Tunisia in June and found a ready similarity of views. Negotiations are expected soon to cover economic and financial co-operation and an extension of existing trade provisions into a free trade zone.

—Talks have begun with **Malta** at official level on future industrial and financial co-operation.

—Discussions with **Turkey** on the adaptation of the Ankara agreement of association are about to be resumed in the light of the enlargement of the EEC. Turkey

is anxious for agricultural concessions and measures to protect industrialisation.

Uruguay. Negotiations on a trade agreement broke down at the end of their second phase over the issue of shipping. The problem is that Uruguay demands that a proportion of imported goods are carried in national vessels; the EEC was not prepared to accept any discrimination in this sphere; the EEC's attitude was especially influenced by one of the candidate countries, Norway. The Commission wanted the Uruguayans to make a unilateral declaration of principle to seek satisfactory solutions on the basis of non-discrimination, but no agreement was reached.

India. At the beginning of May, India approached the EEC for an agreement on trade co-operation to be concluded before the enlargement of the EEC. Within the terms of the agreement permanent machinery would be created to examine the changed circumstances after enlargement. Later, the Commission sent a communication to the Council with proposals for an enlarged agreement on two sensitive areas of Indian exports—jute and coconut products.

Bangladesh. The Council has authorised the Commission to open negotiations with Bangladesh on jute products. In a reply to a question from a member of the European Parliament, the Commisssion pointed out that Bangladesh had asked for the importing possibilities laid down in an agreement with Pakistan in January, 1971, to be transferred for the year in progress. The Commission is also in touch with other major jute producing countries over supplies to the Community.

Sources and acknowledgements : The foregoing summarises, by special arrangement, a report in the latest issue of *European Trends*, published quarterly, to subscribers only, by the Economist Intelligence Unit (27 St. James's Place, London SW IA: INT) but the EIU is responsible neither for the emphasis of my summary nor for my interspersed comments.

Market on the eve

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THIS BEING, in all probability, the last article from Europe to appear before the Common Market enlarges from a membership of six to one of nine it seems appropriate to discuss in slightly closer detail its condition as enlargement approaches.

In anticipation of the coming event the existing member who shows most pleasure is Italy, partly, perhaps, because Rome has never forgotten, despite Pompidou's recent amiable visit, de Gaulle's sneer that he regarded Italy as no more than an associate. Less sensitively, there is more similarity between the British and Italian positions over the vexed question about payments of debts in gold under the European Monetary Union currency intervention scheme until a new world monetary system is agreed. While the British adopt a tougher position than the Italians, Rome is also averse to parting with gold itself although it would be more willing than London to debt-settlement in gold-backed assets. Both positions are stiffly opposed by France but Britain and Italy feel confident they can muster sufficient support within the Market to isolate France and force a modification.

genuine welcome

This initial similarity in attitudes accounts for much of the genuine welcome for Britain from Italy on joining the Market, apart from the fact that Rome feels less at a disadvantage in bargaining with three larger partners with differing interests than it has done with France and West Germany only, especially since the two states have leaned over backwards both in the Market and in foreign policy to avoid actually trampling on each other's toes.

The West Germans, quietly welcome the coming of Britain as a counterweight to France in the higher Market councils and their lack of open enthusiasm may also be partly accounted for by a wish to avoid offending Paris. The French government has in no way given up its ambition to have the political capital structure of the Market in Paris; both London and Bonn prefer the present arrangement of locating it in the relatively unaggressive capital of Belgium. The next few years will see some fine diplomatic as well as commercial balancing between the four major members of the Market.

varying attitudes

The attitudes of the three smaller, wealthy Benelux states of Belgium, Holland and Luxemburg to the new set-up also vary. The Dutch are the most enthusiastic though whether this attitude will continue now that the ebullient Dr Luns, for so long Holland's Foreign Minister, is no longer a Market leader, and now that Holland has swung domestically from a centralist politics to the two more extreme positions also remains a question. Wealthy little Luxemburg, housing the Common Market's court and some of the most enterprising and sometimes adventurous banks and Eurobond operators in Europe, is happy either way, Belgium, rather unexpectedly, remains not a little glum. The Belgians have their perennial federal quarrel between the Dutch-speaking Flemish citizens and the French-speaking Walloons on their hands, with no government probably till the new year. As capital of the Common Market, Brussels has seen two British disappointments before its final success in the last ten years, knows the estrangements behind the present expansion and how determined the British Prime Minister, Heath, is to make the most of British entry as a personal triumph to avenge his bitter disappointment some ten years ago when he publically almost wept with anger and chagrin at de Gaulle's rebuff at the hands of Couve de Murville.

studied torpor

Possibly because of its awareness of battles to come, possibly also because as Market capital it houses the bureaucracy that will now undergo a major shake-up, there is to be little or no echo on January 1 in the Market capital of Brussels of the lavish stage-managed celebrations in London and other British cities on that day. On the contrary, on January 1, Brussels, with a new year holiday, wrapped in chilly mid-winter, will show an almost studied torpor. Nor will any other west European capital be celebrating in any way the enlargement of its great economic bloc. The Belgian government is as slow-moving and bureaucratic as any other European administration—as many eager British, Irish and Danish firms have found to their dismay —and has shown no sign of intending to relax any of its many requirements because it is going to host half as many again Market states.

The Common Market civil servants — some 6,000 or more officials who thought they had the plum jobs in west Europe— are at present on strike demanding better pay and conditions and protesting against the growing trend, led by Britain, whereby member states hive off officials from national departments to work for the Market institutions on a temporary basis with permission to return, with no loss of rank or service benefits, to their own departments at home after two or three years. While

the Market nations, especially the newcomers, see this as the best way to attract the best available men to Market service the Common Market civil servants criticise it as threatening the formation of a truly European civil service career structure and as getting in the way of promotion of long-serving officials. They also protest that their salaries no longer reflect the ever-rising cost of living in Brussels which is getting a major shot in the arm from the Market's expansion.

Those living in non-Market European capitals are also getting a quiet chuckle from the fact that, whereas the British —or many of them—have been showing some frenzy not only over the arrival of tens of thousands of Asian from Uganda but fear a flood of Italians and others wanting to work in Britain, the Europeans of the Market countries, recalling nearly a million unemployed in Britain, fear the British will be queueing up to come to the Continent. British wages are also comparatively low and are unlikely to be so attractive to work-hungry Italians (who have also about a million unemployed) as West Germany which not only pays better wages but lives in a manner familiar to other Continental citizens).

While these personal and personnel problems wait to be worked out the cost of living steadily rises in the whole of the western half of Europe. Even Luxemburg has had a 5.1 per cent rise in living costs while the unlucky Dutch have led the Market with a year-to-year rise in consumer prices of 7.4 per cent, a fact which has persuaded them to set up a compulsory price rise register to allay union fears on living costs after January 1. Even the prosperous West Germans have had a 6.4 per cent rise in living costs since last year but their reassurance against a serious growth in inflation was shown in their continued support of the socialist-majority government in the recent general elections. Farther north, Sweden's Social Democrats, with an election looming in 1973, sense disaster if food prices, up a further seven per cent in the last 12 months and the highest in Europe, cannot be held.

Inflation is the most serious problem that the enlarged Market will have to tackle in the new year. The general level of price rise is over six per cent annually and little has so far been done about it except to allow wages to chase prices. This cannot go on indefinitely and the last meeting of Market Finance Ministers in Luxemburg did at least produce a set of defined goals. These included reduction of increase in consumer prices to four per cent by the end of next year and a reduction in the level of money supply expansion to the increased rate of gross national product in member countries by the end of 1974. In some areas a move towards policy co-ordination has already begun but these by no means guarantee that further co-ordinated measures will be seen in the near future or until the old and new members have shaken down together.

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Readers' Roundtable

Railway Accidents

Sir—In his article on railway accidents published in the *Eastern Economist* of December 1, Mr L. G. Bapat has laid undue emphasis on the interpretation of data. Firstly, when Mr Bapat states that the erratic trend of the average number of persons killed or injured in railway accidents may be due to fortuitous reasons, he is begging the question. The "Revtew of Accidents" published by the government, from which Mr Bapat seems to have drawn almost all his material, makes it clear that the figures of casualties are essentially fortuitous in character and, for this reason, these cannot be accepted as a reliable index of the safety performance of the railways, if considered in isolation. The writer has, perhaps, conveniently ignored this observation.

This, however, has not introduced any complacency in the thinking of the Railways. Great emphasis has been placed on the measures for minimising casualties in train accidents, by way of providing increased number of steel bodied and anti-telescopic coaches and the proper marshalling of wooden-bodied coaches on trains. It should also be noted that the casualties involved in accidents have a direct relationship with the number of passengers carried per train, and not merely with the number of accidents.

Secondly, Mr Bapat observes that the cost of damage in accidents is rising rapidly, and the present figures are a gross under-statement as they omit relevant costs such as interruption of communications, diversions, compensations paid, etc. Needless to say with the deployment of costly assets and equipment, such as diesel and electric locomotives, special type of wagons fitted with roller bearing etc., the cost of damage to railway equipment is bound to go up during accidents. But, the writer is probably not aware that the cost of damage to railway property, as published by the government and quoted in his article also include damages caused by natural calamities such as floods and breaches over which the Railways have no control. For instance, in 1969-70, out of a total damage of Rs 434.9 lakhs (misquoted in the article as Rs 134.7 lakhs) damages caused by floods and breaches accounted for Rs 303.2 lakhs. These factors, it may be mentioned, were also responsible for interruption to through communications of 4.708 hours, out of a total interruption of 9,132 hours.

Thirdly, Mr Bapat is critical of the high percentage of accidents due to the failure of railway staff. Even with the introduction of sophisticated equipment, the human factor in the operation and maintenance of these machines is significant. There are over a million railwaymen working round the clock uuder different conditions and with equipment of varying degree of complexity to keep the wheels moving over the vast network of the Indian Railways. Mr Bapat has perhaps missed the observation of the Kunzru Committee (from which he has quoted in another context)which points out that only 0.13 per cent of the staff are responsible for accidents. It is noteworthy that the percentage of collisions and derailments caused by the failure of Railway staff has remained, more or less constant as compared to the total number of collisions and derailments, which has declined by 58 per cent. This shows the marked improvement in the human element, and disproves the apprehensions of the writer.

Mr Bapat's observations on the condition of track and its maintenance are at complete variance with facts. The Indian Railways have designed a heavier rail section weighing 60 kgs per metre for use on trunk routes with a heavy density of traffic. The Indian Railways have also adopted the most modern type of sleepers i.e. concrete sleepers with elastic fastenings. Methods of maintence have also been modernised by introducing machine maintenance and by pressing into service other techniques like "Measured Shovel Packing" and "Directed Track Maintenance."The quality of inspection of track has also improved preceptibly.

During the three successive five-year Plan periods, an extensive programme for the rehabilitation of railway track was drawn up and successfully implemented. In fact, at the end of the third Plan period, the arrears of track renewal were completed. During the fourth Plan period, up to the end of March 1972, 5,300 kilometres of rail renewals and 5,700 kilometres of sleeper renewals were completed in spite of an acute shortage of steel in the country. All this disproves the grossly exaggerated picture presented by the author, who has referred to the "heavy arrears" of track and rail renewals.

Similarly, there are adequate built-in safeguards in the maintenance of bridges and culverts. There is a special organisation to review the condition of vulnerable bridges and to undertake the collection of data for their proper maintenance. Strengthening and re-building of weak bridges is regularly undertaken on programmed basis to ensure safety of operation.

As on March 31, 1972, there were 14,682 manned and 21,640 unmanned level crossings (excluding 'D' class cattle crossings) on the Indian Railways. It is neither feasible nor necessary to man all of them. Periodical census of traffic is carried out to review the classification of level crossings and to decide upon the need to man or upgrade them, in consultation with the state governments concerned.

Saradindu Sanyal
Director Public Relations
(Railways)

Press Information Bureau.
New Delhi



CMVS-59-102

TRADE WINDS

UK Debt Relief Loan

BRITAIN is to lend £8 million to India as debt relief aid under an agreement signed on December 11, at New Delhi. The loan represents the British contribution to the debt relief scheme for 1972-73 agreed by members of the Aid India Consortium following negotiations earlier this year. The loan is not tied to the purchase of goods and services from Britain. Like all British loans to India since 1965, this loan is interest-free and repayable over 25 years, with no repayment due for the first seven years. The British High Commissioner, Sir Terence Garvey, signed the agreement for the British government, and Mr M.G. Kaul, Secretary, Department of Economic Affairs, Union Ministry of Finance, for the government of India. Speaking on the occasion, Sir Terence Garvey said Britain attaches great importance to the alleviation of the burden of debt carried by the developing countries. Up to the mid-1960's, the repayment terms of the aid provided by Britain were much less easy than they are today and this has given rise to the need for adequate debt refinancing. With this loan agreement, he said Britain will have committed £ 49 million out of its pledge of £ 63 million. The remaining £ 14 million is earmarked for a Capital Investment Loan and he hoped that negotiations on this will soon be completed. Mr M.G. Kaul, in reply, expressed appreciation of Britain's liberal aid terms over the last few years and said these could be held up as a model to other donor countries. Mr Kaul said it would be helpful for the formulation of India's development programmes during the next five year Plan if Britain could give an indication of the quantum of its likely aid over the next three or four years.

Trade with Tanzania

High-level discussions on expansion of trade and economic co-operation between India and Tanzania were held in New Delhi recently. The Tanzanian delegation was led by Mr A. H. Jamal, Minister of Commerce and Industry of Tanzania, and the Indian delegation by Mr L.N. Mishra, Minister of Foreign Trade. While welcoming the Tanzanian delegation Mr Mishra stated that we expect, that during the discussions it would be possible, to devise (i) identification of the areas where long-term purchase and sale arrangements can be effected between our two countries, (ii) provide for measures for increasing the access to products of our mutual export interest, and (iii) work out arrangements for making available advisory facilities and expertise in various areas particularly in marketing of petroleum products, utilisation of coal reserves, development of water sources, consultancy in industrial development, and establishment of small-scale industries.

Nationalised Banks

Each of the 14 nationalised banks will have a new board of directors to replace the first boards which have been functioning since July 1970. The new boards have been formed in accordance with the scheme framed under the Nationalisation Act and approved by Parliament. This provides for each board of directors to be composed in the following manner: two wholetime directors; two representatives of employees of the bank one from the workmen and the other from officers; one person each to represent the interests of depositors, farmers, workers and artisans; five persons having special knowledge and practical experience on matters likely to be useful for the working of the banks; and one official each from the Reserve Bank and the central government. When the new boards came into being on December 11, the office of Custodian ceased to exist. The chief executive is designated as Chairman and Managing Director and will preside over the meetings of the board.

For the present each board consists of 9 to 11 director and some more are expected to be appointed before long. Apart from the Chairman and Managing Director and two official nominees from the Reserve Bank of India and and the central government there are on each board two representatives of employees and one representative each of depositors and artisans. Among the directors appointed are academicians, journalists, farmers, artisans and persons from backward and tribal areas. The tenure of non-official directors will be one year except for the representatives of workmen employees who will have a three-year term. The director for workmen employees is selected from a panel furnished by the representative union of each bank. In one bank, pending the submission of a new panel by the representative union, the person appointed director on behalf of workmen employees has been given a tenure of six months.

The fllowing are the new boards of directors of the 14 nationalised banks:

Central Bank of India

1. Mr B.N. Adarkar, Chairman and Managing Director.
2. Mr Tarakeshwar Chakraborty, Special Assistant in the Netaji Subhash Road Branch of the bank at Calcutta. (representative of the workmen employees of the bank).
3. Mr R. R. Kumar, Divisional Manager of the bank at Kanpur. (representative of the officer employees of the bank).
4. Mr A. H. Elias, Principal, State Bank of India, Staff Training College, Hyderabad.
   (representing the interests of dipositors of the bank).
5. Mr Ramsya Kunder, Fort Road, Rewa (MP), Manufacturer of toy articles.
   (representing the interests of artisans).
6. Mr G. B. Newalkar, Chairman, Maharashtra Small Scale Industries Development Corporation Ltd, Bombay.
7. Mr T. S. Papola, Reader in Industrial Economics, University of Bombay, Bombay.
8. Mr Romesh Thapar, Journalist, New Delhi.
9. Mr C. S. Venkat Rao, General Manager, Industrial Development Bank of India, Bombay-1.
10. Mr. V. M. Bhide, Additional Secrectary, Department of Banking, Ministry of Finance, New Delhi.

Bank of India

1. Mr J. N. Saxena, Chairman and Managing Director.
2. Mr V. M. Chitnis, Special Assistant in the Mahatma Gandhi Road branch of the bank at Bombay.
   (representative of the workmen employees of the bank).
3. Mr A R. Sule Officer in the Head Office of the bank at Bombay.
   (representative of the officer employees of the bank).
4. Mr G. D. Parikh, Retired Rector of the University of Bombay, Bombay.
   (representing the interests of depositors of the bank).
5. Brig. K. K. Verma, Sokranala Farm, Krishak Nagar, Raipur (MP).

(representing the interests of farmers).

5. Mr Rahmatullah Ansari Chairman, UP Silk Weavers Coop. Association Ltd, Varanasi. (representing the interests of artisans).
7. Mr Sukru Bhagat, Social Worker connected with cooperatives, Oraon Toli, Ranchi.
8. Mr. Manohar Singh Mehta, Former member of the MP Public Service Commission, Indore.
9. Mr B. L. Passi, Businessman, New Delhi.
0. Mr P. N. Khanna, Joint Chief Officer, Department of Banking Operations and Development, Reserve Bank of India, Central Office, Bombay.
1. Mr M.K. Venkatachalam, Joint Secretary Department of Banking, Ministry of Finance, New Delhi.

unjab National Bank

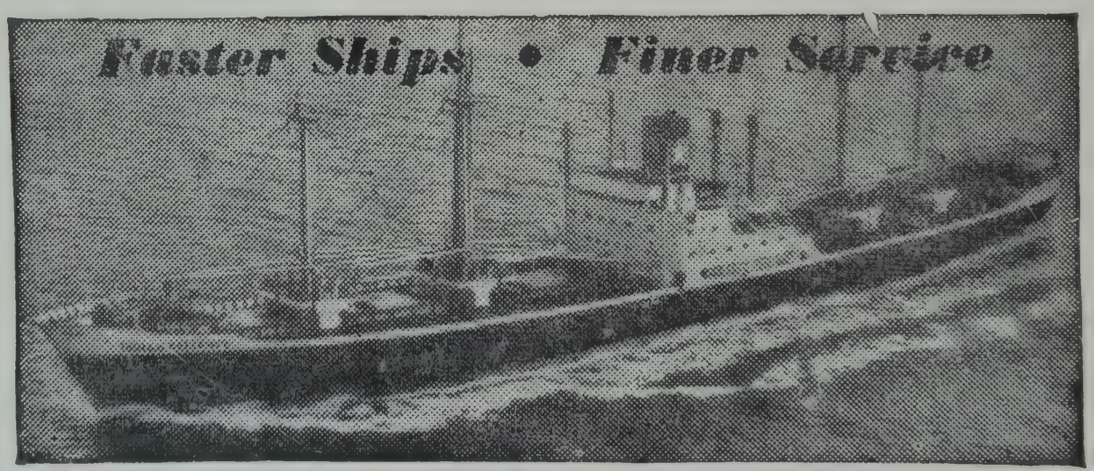
1. Mr P.L. Tandon, Chairman and Managing Director.
2. Mr D.P. Chadha, Special Assistant in the Fort Branch of the bank at Bombay. (representative of the workmen employees of the bank).
3. Mr I. S. Ahluwalia, Staff Officer of the Bank (representative of the officer employees of the bank).
4. Dr A. S. Kahlon, Dean College of Basic Sciences and Humanities, Punjab Agricultural University, Ludhiana. (representing the interests of depositors of the bank).
5. Mr Madan Mohan Mahajan, Panipat. Connected with handloom industry. (representing the interests of artisans)
6. Mr Mohamad Abdullah, Asia Crafts, Kashanah, Srinagar.
7. Mr B. M. Gogte, Industrialist, Poona, Maharashtra.
8. Mr. V. N. Kak, Managing Director, State Hotels Corporation, 'Vasundhara', Jaipur.
9. Mr. V. M. Jakhade, Economic Adviser, Agricultural Credit Department, Reserve Bank of India, Bombay.
10. Mr. A. K. Dutt, Joint Secretary, Department of Banking, Ministry of Finance, New Delhi.

Bank of Baroda

1. Mr V. D. Thakker, Chairman and Managing Director.
2. Mr Jitendrakumar Naranbhai Patel, Clerk in the Gandhi Road Branch of the bank at Ahmedabad. (representative of workmen employees of the bank).
3. Mr K. C. Chokshi, Assistant Area Manager in the Regional Office of the bank at Bombay. (representative of officer employees of the bank).
4. Mr D.K. Desai, Professor Management in Agriculture and Cooperation, Indian Institute of Management, Ahmedabad. (representing the interests of depositors of the bank).
5. Mr Arjan Singh Ahuja, Sri Ganganagar, Rajasthan Well-versed in matters connected with agriculture. (representing the interests of farmers).
6. Mr Jaigopal Vig, Sr. Arts and Crafts Master, DAV Multipurpose High School Amritsar. (representing the interests of artisans).
7. Dr. T. R. S. Goel, Managing Director, Electronics and Computers India Ltd, Ghaziabad.
8. Mr Vijay S. Mahajani, Managing Director, M/s Ojas Engineering Pvt. Ltd, Poona.
9. Mr R. K. Roy, Journalist, Bombay.
10. Mr A. Raman, Director, Credit Planning and Banking Development Cell, Reserve Bank of India, Bombay.
11. Dr D. N. Saxena. Joint Secretary, Department of Banking, Ministry of Finance, New Delhi.

United Commercial Bank

1. Mr V. R. Desai, Chairman and Managing Director.
2. Mr S. Lakshmanan, Special Assistant in the Sowcar Pet branch of the bank at Madras. (representative of the workmen employees of the bank).
3. Mr S. D. Parelkar, Officer in Head Office of the bank at Calcutta. (representative of the officer employees of the bank).
4. Dr D. Banerjee, Rubber Technologist, Calcutta. (representing the interests of depositors of the bank).
5. Mr Pannalal Das Gupta, Calcutta. Well-versed in matters connected with agriculture. (representing the interests of farmers).
6. Mr. Gursaran Singh, Budnala, Jullundur, Manufacturer of rear axel shafts and other agricultural implements on cottage industry basis. (representing the interests of artisans).
7. Dr Upen Bordoloi, Department of Economics, Gauhati University, Jhalukbari, Gauhati.
8. Mr Gopinath Mohanty, Retired Administrator; knowledgeable in tribal affairs; Member, Evaluation Committee for Development of Tribals, government of Orissa, Bhubaneswar.
9. Mr G.P. Sinha, Depart-



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ment of Labour & Social Welfare, University of Patna, Patna.

10. Miss N.K. Ambegaonkar, Director, Economic Department, Reserve Bank of India, Bombay.
11. Mr D. N. Ghosh, Joint Secretary, Department of Banking, Ministry of Finance, New Delhi.

Canara Bank

1. Mr K.P. J. Prabhu, Chairman and Managing Director.
2. Mr C.S. Subramaniam, Special Assistant in the Andiappa Naick Street Branch of the bank, Madras.
   (representative of the wormen employees of the bank).
3. Mr V.P. Kamath, Manager in the Bank's office at Bombay.
   (representative of the officer employees of the bank).
4. Mr K.S.R. Malliah, Brahmavar, Distt. South Kanara, Mysore state. Former executive of an industrial concern.
   (representing the interests of depositors of the bank).
5. Mr P.S. Rajagopal Naidu, Vellore, North Arcot Distt., Tamil Nadu. Agriculturist.
   (representing the intersts of farmers).
6. Mr Shoukath Ali, Master Craftman, Mysore.
   (representing the interests of artisans).
7. Dr. C. H. Hanumantha Rao, Senior Fellow, Institute of Economic Growth, Delhi.
8. Mr S. R. Thakur, Small-scale industrialist and exporter, Panaji, Goa.
9. Mr Abdul Hasib, Director, Economic Department, Reserve Bank of India, Bombay.
10. Mr M.K. Venkatachalam, Joint Secretary, Department of Banking, Ministry of Finance, New Delhi.

United Bank of India

1. Mr B. K. Dutt, Chairman and Managing Director.
2. Mr Taraprasanna Das, Clerk in the Royal Exchange branch of the bank at Calcutta.
   (representative of the workmen employees of the bank)
3. Mr Prabhu Ranjan Sen, Officer in the Head Office of the bank at Calcutta.
   (representative of the officer employees of the bank)
4. Mr K. P. Barua, Managing Director, Assam State Financial Corporation, Shillong.
   (representing the interests of depositors of the bank)
5. Mr Kynpham Singh, Unsohsun, Shillong, Agriculturist.
   (representing the interests of farmers)
6. Mr Kartick Chandra Paul, Leading artisan in clay modelling, Krishnagar, West Bengal.
   (representing the interests of artisans)
7. Mr S. K. Choudhury, Retired Principal of a College, now President, Sanskrit Siksha Parishad, Agartala.
8. Mr P. C. Misao, Lawyer, Deulah Land, Imphal, Manipur.
9. Mr Ghulam Ghouse, Director, Agricultural Refinance Corporation, Bombay.
10. Mr D. N. Ghosh, Joint Secretary, Department of Banking, Ministry of Finance, New Delhi.

Dena Bank

1. Mr R. A. Gulmohamed, Chairman and Managing Director.
2. Mr Bikas Chandra Das Gupta, Special Assistant in the Brabourne Road branch of the bank at Calcutta.
   (representative of the workmen employees of the bank)
3. Mr T. H. Narayanaswami, Accountant, at present attached to the Dorabjee Pochkhanawala Training College for bank staff, at Bombay.
   (representative of the officer employees of the bank)
4. Mr Krishna Raj, Editor, Economic & Political Weekly, Bombay.
   (representing the interests of depositors of the bank)
5. Mr Devabhai Prabhubhai Patel, Agriculturist, Distt. Bulsar (Gujarat).
   (representing the interests of farmers)
6. Mr Krishna Gopal Malviya, Master in handicrafts zari, batik and screen painting, Indore.
   (representing the interests of artisans)
7. Mr Mohinder Pal Puri, Chartered Accountant, Mohinder Puri & Co., New Delhi.
8. Mr V.V. Divatia, Adviser, Department of Statistics, Reserve Bank of India, Bombay.
9. Mr N. Sethuraman, Director, Department of Banking, Ministry of Finance, New Delhi.

Syndicate Bank

1. Mr K. K. Pai, Chairman and Managing Director.
2. Mr U. P. Shet, Special Assistant in the Mount Road Branch of the bank at Madras.
   (representative of the workmen employees of the bank)
3. Mr J. U. Prabhu, Manager in the Gandhi Nagar Branch of the bank at Bangalore.
   (representative of the officer employees of the bank)
4. Mr Swaminatha Reddy, Managing Director, Andhra Pradesh, State Financial Corporation, Hyderabad.
   (representing the interests of depositors of the bank)
5. Mr U. K. Subbaiah, Kalasa Farm, Whitefield, District Bangalore.
   (representing the interests of farmers)
6. Mr V. Ganapati Sthapati, Superintendent Government Sculpture Training Centre, Mahabalipuram, District Chingleput (Tamil Nadu).
   (representing the interests of artisans)
7. Mr B. K. Kapur, Formerly of Indian Foreign Service, 2, Mall Road, Delhi.
8. Dr. M. B. Mohamad, Medical Practitioner: also engaged in the development of fishing industry, Puthur, District South Kanara (Mysore).
9. Dr. N.C. Biligiri Rangaiah, Advocate, Professor of Law in Government Law College, Bangalore.
10. Mr K. B. Chore, Deputy Chief Officer, Department of Banking Operations and Development, Reserve Bank of India, Central Office, Bombay.
11. Mr K. P. Geethakrishnan, Director, Department of Banking, Ministry of Finance, New Delhi.

Union Bank of India

1. Mr P.F. Gutta, Chairman and Managing Director.
2. Mr S. Bardhan, Stenographer in the India Exchange Place Branch of the bank, Calcutta.
   (representative of workmen employees of the bank)
3. Mr S. B. Godiwalla, Law Officer in the head office of the bank at Bombay.
   (representative of the officer employees of the bank)
4. Mr K. H. Parikh, Managing Director, Bharat Opthalmic Glass Ltd, Durgapur (West Bengal).
   (representing the interests of depositors of the bank)
5. Mr R. R. Upasani, Principal, Agricultural School, Rajghat, Varanasi.
   (representing the interests of farmers)
6. Mr Mohamed Zilani, Manufacturer and exporter of carpets, M/s Haji Sheikh Imam Sahib and Sons, Tangellamudi, Eluru (Andhra Pradesh).
   (representing the interests of artisans)
7. Mr P. K. Sadanandan, Small Scale Industrialist, Cochin.
8. Mr D. P. Gupta, Manager, Industrial Development Bank of India, Bombay.
9. Mr M. Dandapani, Dir-

ector, Department of Banking, Ministry of Finance, New Delhi.

Allahabad Bank

1. Mr B. K. Mookerjea, Chairman and Managing Director.
2. Mr Bhupesh Sarkar, Special Assistant in the India Exchange Place branch of the bank, Calcutta
(representative of the workmen employees of the bank).
3. Mr J. D. Jain, Assistant Officer in the Meerut Cantt. Branch of the bank, Meerut.
(representative of the officer employees of the bank)
4. Mr M. R. Roy, Managing Director, West Bangal Financial Corporation, Calcutta.
(representing the interests of depositors of the bank)
5. Mr Samar Pal Singh, Kushal Seeds Farm. Kundeshwari, Kashipur, Nainital, Agriculturist.
(representing the interests of farmers).
6. Mr Khalid Anwer Ansari, Patna, Associated with social organisations engaged in promoting the welfare and uplift of weavers.
(representing the interests of artisans).
7. Mr S. N. Srivastava, Former Industrial Adviser to the government of Bihar, Patna.
8. Dr M. A. Zaheer, Associate Professor of Business Administration, Centre for Post Graduate Studies, Himachal Pradesh University, Simla.
9. Mr A. K. Bhuchar, Joint Chief Officer, Department of Banking Operations and Development, Reserve Bank of India, Central Office, Bombay.
10. Mr N. Sethuraman, Director, Department of Banking, Ministry of Finance, New Delhi.

Indian Bank

1. Mr G. Lakshminarayanan, Chairman and Managing Director.
2. Mr R. M. Vellayan, Clerk in the Head Office of the bank at Madras.
(representative of the workmen employees of the bank).
3. Mr M. Gopalkrishnan, Agent in the Purasawalkam Branch of the bank at Madras.
(representative of the officer employees of the bank).
4. Mr P. Krishnaswamy, Manufacturer of Electronic equipment, Madras.
(representing the interests of depositors of the bank)
5. Mr M. Seetharama Dos, Agriculturist, Eluru, West Godavari District (Andhra Pradesh).
(representing the interests of farmers).
6. Mr M. C. Prabhakaran, Director on Coir Board, Cochin.
(representing the interests of artisans)
7. Mr M. A. Kamruddin, Small-Scale Industrialist, Palghat (Kerala).
8. Dr. B. Natarajan, Economist, Formerly of National Council of Applied Economic Research, Madras.
9. Mr M. J. Ambani, Manager, Credit Guarntee Corporation of India Ltd, Bombay.
10. Mr M. G. Balasubramaian, Joint Secretary, Depart-

Upper Ganges Sugar Mills Limited

NOTICE

NOTICE is hereby given that the Fortieth Annual General Meeting of Upper Ganges Sugar Mills Limited will be held on Friday, the 29th December, 1972 at 3-30 P.M. at 9/1, R.N. Mukherjee Road, Calcutta-1, for the following purposes:—

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1972.
2. To declare dividends.
3. To elect Directors in place of Shri K.K. Birla and Shri B.T. Thakur who retire by rotation and being eligible offer themselves for re-election,
4. To appoint Auditors and fix their remuneration.

As Special Business:

5. To appoint a Director in place of Shri A.C. Mitra who was appointed as an Additional Director of the Company by the Board of Directors and whose term of office expires at this Annual General Meeting under section 260 of the Companies Act, 1956 and in terms of Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:—

"Resolved that Shri A.C. Mitra be and is hereby appointed a Director of the Company".

6. To appoint a Director in place of Shri B. N. Jhunjhunwala who was appointed as an Additional Director of the Company by the Board of Directors and whose term of office expires at this Annual General Meeting under section 260 of the Companies Act, 1956 and in terms of Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:—

"Resolved that Shri B.N. Jhunjhunwala be and is hereby appointed a Director of the Company".

To consider and if thought fit to pass with or without modification the following resolutions as Ordinary Resolutions:—

7. "Resolved that transfer of about 1084.45 acres of agricultural land to the following six public charitable trusts for educational purposes be and is hereby approved and confirmed :

1. Mooljhari Charity Trust, P.O. Birla Farm, Afzalgarh
2. Seohara Charity Trust, P.O. Afzalgarh
3. Kuri Charity Trust, P.O. Seohara, Bijnore
4. Pandia Charity Trust, P.O. Tajpur, Bijnore
5. Afzalgarh Charity Trust, P.O. Birla Farm, Afzalgarh
6. Tajganj Charity Trust, P.O. Birla Farm, Afzalgarh

8. "Resolved that the Company hereby approves the appointment of the following parties as distributors for the sale of Confectionery and Milk products manufactured by Morton Confectionery and Milk Products Factory (of which the Company is the lessee) on the terms and conditions and for the areas as set out in the standard distributorship agreement subject to any variation that may be made in the terms including changes in areas:—

M/s. Vijay General Stores, Alwar
,, Balliram & Sons, Sirsa
,, Sushil Sweet Corner, Muktsar
,, A. Dass & Co., Lucknow
,, Neelkamal Confectionery, Ghaziabad
,, Pavan Provision Stores, Bulandshahar
,, Jiwan Agencies ,Gorakhpur
,, Hanuman General Stores, Babina Cantt.
,, Bhagwandas Kunjbiharilal, Banda"

By Order of the Board,
S.N. GUPTA
Secretary.

9/1, R.N. Mukherjee Road, Calcutta-1, the 1st December, 1972.

Notes—

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Shareholders are requested to notify any change of address, failing which the dividend warrants will be posted to their addresses as registered with the Company.
3. The Register of Members of the Company will remain closed from the 22nd December, 1972 to the 29th December, 1972 both days inclusive.
4. The dividends when declared will be payable to the registered shareholders as on the 29th December, 1972 or to their mandatees on or after the 12th January, 1973.

Explamatory statement has been forwarded to the shareholders.

ment of Banking, Ministry of Finance, New Delhi.

Bank of Maharashtra

1. Mr C. V. Joag, Chairman and Managing Director.
2. Mr S. D. Dhopeshwarkar, Special Assistant in the Fort Branch of the Bank at Bombay.
   (representative of the workmen employees of the bank)
3. Mr M. R. Kulkarni, Senior Officer in the Assistant General Manager's Office of the bank at Bombay (representative of the officer empioyees of the bank)
4. Dr. K. S. Yawalkar, Small-scale Industrialist, Nagpur.
   (representing the interests of depositors of the bank)
5. Mr S. D. Patil, Urun Islampur. Taluka Walva, District Sangli, agriculturist.
   (representing the interest of farmers)
6. Mr H. V. Kuber, Principal, Artisan Training Centre, Collegc of Engineering, Poona
   (representing the interests of artisans)
7. Dr. (Mrs) Sulabha Brahme, Gokhale Institute of Politics & Economics, Poona.
8. Mr H. B. Shivamaggi, Director, Economic Department, Reserve Bank of India, Bombay.
9. Mr D. M. Sukhthankar, Director, Department of Banking, Ministry of Finance, New Delhi.

Indian Overseas Bank

1. Mr R. N. Chettur Chairman and Managing Direetor.
2. Mr Panjetti Anandan Kumaradevan, Clerk in the central office of the bank at Madras.
   (representative of the workmen employees of the bank)
3. Mr K. V. Balasubramanian, Accountant in the Poonamallee High Road branch of the bank in Madras
   (representative of the officer employees of the bank)
4. Mr M. K. Raju, General Manager, India Pistons Ltd., Madras
   (represnting the interests of the depositiors of the bank)
5. Mr T. N. Palaniswamy, "Muruganathan", Coimbatore (Tamilnadu) agriculturist.
   (repressenting the interests of farmers)
6. Mrs Prabhamayi Devi, Telanga Bazar, Cuttack, Social workers engaged in promoting the welfare of artisans in Orissa
   (representing the interests of artisans)
7. Mr Joseph Chackola, businessman and industrialist, Cochin.
8. Mr N. B. Prasad, Engineer, Hyderabad
9. Miss M. Tyagarajan, Director, Credit Planning and Banking Development Cell, Reserve Bank of India, Central Office., Bombay.
10. Mr M. G. Balasubramanian, Joint Secretary, Department of Banking, Ministry of Finance, New Delhi.

Indo-Romanian Trade

On the conclusion of annual trade talks that took place in New Delhi recently between trade delegations of India and Romania, a trade protocol for 1973 has been signed. The trade protocol envisages a trade turnover of Rs 76.0 crores between the two countries during 1973. This represents an increase of 16 per cent over the previous year. The protocol was signed by Mr L. N. Mishra, Minister of Foreign Trade, on behalf of the union government and Mr Ion Patan, the Vice-President of the Council of the Ministers and Minister of Foreign Trade of the Socialist Republic of Romania, on behalf of the government of Romania. Besides exports of various traditional commoities such as iron ore, ferro-manganese, deoiled cakes, cashew kernels, tea, coffee, cotton yarn, cotton textiles, jute manufactures, etc, from India to Romania there are a number of engineering and non-traditional items, including consumer goods, such as ready-made garments, textile machinery, machine tools, drugs and pharmaceutical products, small hand tools and wire ropes, in the trade protocol. Principal items of import into India from Romania during 1973 will be fertilizers, oil prospecting and drilling equipment, rolled steel and steel products capital goods, machine tools, tractor components, ball, roller and taper bearings, chemicals, electronic television components, dye intermediates, wheelsets and other components for railway wagons etc.

Indo-Japanese Collaboration

India and Japan recently exchanged letters for extending the validity of the Indo-Japanese Agreement on Khopoli (Maharashtra) and Mandya (Mysore) projects at a special function held at Krishi Bhavan in New Delhi. The letters were signed by Mr T. P. Singh, union Agriculture Secretary, and Mr. T. Kojima, Ambassador of Japan to India, on behalf of their respective countries. The governments of India and Japan have jointly collaborated in setting up four extension centres located at Arrah (Bihar), Vyara (Gujarat), Khopoli (Maharashtra) and Mandya (Mysore). The agreements for these centres—one for Arrah and Vyara and the other for Khopoli and Mandya—were signed in 1968. The term of the centres Arrah and Vyara was extended for a period of three years through exchange of letters held in March, 1972. The term of the other two centres at Mandya and Khopoli is expiring this month. It has been agreed to extend the period of collaboration for these centres by another three years upto December, 1975.

Under the present agreement covering the two centres at Mandya and Khopoli, the aim of the extension centres is to promote agricultural production by conducting trials on agricultural techniques and extending their results; giving technical training to Indian agricultural instructors, technicians and farmers, and conducting trials and demonstrations through improved machinery and implements and extending the results of such trials.

However, a new direction is proposed to be given to the joint collaboration programme by taking up additional activities like adaptive research trials with the help of a properly equipped laboratory to solve problems of pests and soil testing, seed qualities, water and fertilisers as also problems and trials of agricultural implements; evolving soil and water management practices for adoption by farmers; land shaping, levelling and layout for irrigation on a pilot basis for farmers; pest surveillance to promote prophylactic measures on the basis of pest and disease forecasting and plant protection measures; establishment of model machinery hiring centres to promote mechanised farming on small farms; training of Indian personnel in Japan and India; training of farmers and extension workers in modern farming methods and use of agricultural machinery, and mixed farming and multiple cropping, wherever possible and necessary according to local needs and in the light of Japanese experience

Indo-Czechoslovakia Air Talks

Talks on the operation of air services between India and Czechoslovakia were held recently. Civil aviation delegation from Czecholovakia was led by Mr Stanislav Kreb, Director General of Civil Avaition of the Ministry of Transport. The Indian delegation was led by Mr B. S. Gidwani, Dy. Director General, Civil Aviation Department. Under an air transport agreement relating to air services signed between India and Czechoslovakia at Prague in September 1960, air services were being operated by Air-India and the Czechoslovak Airline, CSA, to and through Prague and

Bombay respectively. Air India, however, discontinued operations through Prague in July 1971. CSA continues to operate a twice weekly service to and through Bombay.

Tokyo Fair

This country will participate in the Tokyo International Trade Fair to be held at Tokyo from April 20 to May 7, 1973. This has been decided by the union government and the Ministry of Foreign Trade will organise and conduct participation in the Fair. The Tokyo fair which is a biennial event and is organised by the Tokyo Internatlonal Trade Fair Commission under the patronage of the Japanese government, is designed to promote international trade, and unity. The aim of India's participation is to project country's developing economy in the fair. Exporters and manufactures, who intend to participate in the fair, are required to send their list of exhibits to the Director of Exhibition and Commercial Publicity in the Ministry of Foreign Trade through their export promotion councils or commodity boards latest by January 31, 1973.

Roads Congress

The governing council of the Indian Roads Congress has been reconstituted. The Council at its 79th meeting at Gandhinagar (Gujarat) elected Mr. O. Muthachen, Engineer-in-Chief, CPWD as President for the next year. Mr Kewal Krishan, Chief Engineer, Punjab PWD; Mr M. D. Patel, Special Secretary and Chief Engineer, Gujarat PWD and Mr D. R. Kohli of M/s Burmah Shell were elected as Vice-Presidents. Mr P. K. Thomas was elected as Secretary.

Performance of Refineries

The nine oil refineries in the country, including joint sector and foreign-owned, processed 16.31 million tonnes of crude during the first ten months of the current year as against the anticipated level of 16.11 million tonnes. The percentage level of performance was thus 101.3. The four refineries operating on indigenous crude oil, viz., Digboi, Gauhati, Barauni and Koyali, processed 6.15 million tonnes as against an expectation of 6.06 million tonnes. The percentage achievement in the case of these refineries was 101.6. During the first 10 months of 1972, over 15.58 million tonnes of major petroleum products were sold and consumed, marking an increase of 9.5 per cent over the corresponding period last year.

Indo-Bangla River Commission

A five-member team of Bangladesh experts, led by Mr B. M. Abbas, Adviser to the Prime Minister of Bangladesh and Chairman, Indo-Bangladesh Joint Rivers Commission, arrived in Calcutta recently. The other members of the team are: Mr Shafiqul Huq, Secretary, Flood Control and Water Resources, government of Bangladesh; Mr F. A. Siddique, Chief Engineer, South-Eastern Zone, government of Bangladesh; Mr A. H. Khan, Director, Water Investigation, government of Bangladesh; Mr. A. Karim, Executive Engineer, Water Investigation, Government of Bangladesh. They were received at the airport by Mr N. G. K. Murti, Co-Chairman and Mr V. N. Nagaraja, Member of the Joint Rivers Commission and representatives of the West Bengal government. After visiting the Farakka project, the team proceeded to see the Kosi Barrage and other river protection works in that area. After these visits, the team went to Delhi for the third meeting of the Indo-Bangladesh Joint Rivers Commission from December 11 to 13, 1972.

Trade with East Europe

Country-wise panels and commodity-wise groups were proposed by the National Alliance of Young Enterepreneurs for boosting trade and economic co-operation between India and East European countries. This decision by the Alliance was a follow-up of the two-day seminar on trade with Eastern Europe held recently in New Delhi under the joint auspices of the Alliance and the Ministry of Foreign Trade with the assistance of the Institute of Foreign Trade. The seminar was one of the series of conferences and being held in the country on the occasion of the third Asian Fair.

The seminar came to the conclusion that the main thrust of India's exports to East European countries should be in the area of engineering products, consumer goods and other non-traditional items. To this end it was proposed that both sides should take all the necessary step to fulfil the provisions for non-traditional items in the trade plans and to progressively increase the proportion of such items from year to year. All efforts should, at the same time, be made to stabilise exports of traditional items to those countries at a reasonable level in the long-term interest of strengthening trade ties with them. It also recommended that export procedures, particularly customs clearance formalities should be flexible enough and should not deter the flow of exports.

Bulk Carriers

The country had placed orders for obtaining 8 bulk carriers of 3.92 lakh GRT, and 3 ore-bulk-oil carriers of 2.01 lakh GRT. This was stated by Mr Raj Bahadur, Minister for Shipping, Transport and and Parliamentary Affairs, in Rajya Sabha recently. Three bulk carriers would be obtained from the United Kingdom, two each from Belgium and Federal Republic of Germany and one from Japan. Two ore-bulk-oil carriers would be obtained from Yugoslavia and one from Sweden. The minister stated that at present there were 23 bulk carriers comprising 5.67 lakh GRT, and 10 ore-bulk-oil carriers of 2.72 lakh GRT on the Indian register. Since the commencement of the third five-year Plan Mr Raj Bahadur stated the government had laid much emphasis on the aquisition of large bulk carriers by Indian shipping companies.

Dye Intermediates

The union government has announced its acceptance of the recommendations of the Tariff Commission on dye-intermediates industry through a resolution published in the Gazette of India Extraordinary. Accordingly the industry will continue to be protected up to December 31, 1974. Protection at present enjoyed by 16 dye-intermediates has been lifted. As against this, 19 new items have been brought under protection. Other items will continue to receive protection either at the existing rates of duties or at enhanced or reduced rates. 14 items will be allowed in ports at concessional rates of duty. The government has also accepted the Commission's ancillary recommendations for assistance to the industry to the extent possible.

Names in the News

Mr Kewal Singh took over as Foreign Secretary on December 4. Since 1970 he has been Indian Ambassador to the Federal Republic of Germany. He was Secretary in the Ministry of External Affairs from 1968 to 1970 and earlier had been Ambassador to USSR and Mongolia and High Commissioner to Karachi. Mr Kewal Singh succeeded Mr T. N. Kaul who retired from the ICS after 35 years' service. Mr Kaul was Foreign Secretary for the last four years. Earlier he had served as Secretary in the Ministry of External Affairs (1966-68) and Ambassador to USSR and Mongolia (1962-66).

The Company Law Board has appointed **Prof. K. T. Merchant** of Bombay and **Mr R. Rajagopalan** Chief Cost Accounts Officer, Ministry of Finance (Department of Expenditure) as Directors of the Indian Express Newspaper (Bombay) Private Limited. They will hold the office as directors for a period of two years.

COMPANY AFFAIRS

Chloride India

CHLORIDE INDIA Ltd, formerly Associated Battery Makers (Eastern) Ltd, has proposed a final distribution of Rs 1.45 per equity share. With the interim dividend of Rs 0.80 per equity share declared in May 1972, the total distribution comes to Rs 2.25 per share or 22.5 per cent as against 20 per cent paid for 1970-71. The final dividend will absorb Rs 30.80 lakhs and it will be paid out of the general reserve to those shareholders whose names appear on the Register of Members as on January 5, 1973. The preliminary working results released by the company reveal a significant improvement in its profit to Rs 241.17 lakhs during the year ended August 31, 1972 as compared to Rs 198.20 lakhs in 1970-71. After setting aside a sum of Rs 5.98 lakhs for development rebate reserve and Rs 147.00 lakhs for taxation and after writing back Rs 1.28 lakhs from development rebate reserve and Rs 11.29 lakhs for taxes pertaining to earlier years, the entire balance of Rs 100.76 lakhs has been transferred to the general reserve.

Maruti Limited

Maruti Ltd, incorporated on June 4, 1971, obtained the certificate for commencement of business on August 7, 1971. The company at present has an authorised capital of Rs 10 crores and a subscribed and paid-up capital of Rs 60.89 lakhs. The directors of the company are: Mr Sanjay Gandhi (Managing Director), Mr V.R. Mohan of Lucknow, Mr M.A. Chidambaram of Madras, Mr C.B. Saran of Bombay, Mr Jagdish Prasad of Lucknow, Mr Raunaq Singh of New Delhi, Mr B.C. Jindal of Delhi and Mr S.N. Kapadia of Bombay.

Sirpur Paper

Due to delay in the supply of equipment Sirpur Paper's expansion programme could not proceed as scheduled. Efforts are being made for commissioning the 60-tonne board machine by the middle of next year. To overcome the shortage of bamboo, the chief raw material for the manufacture of paper, the company intends to take up on phased basis, plantation of eucalyptus which is a fast growing species. Meanwhile negotiations with the state government are in progress for renewal of bamboo forest areas. During the year ended June 1972 the company had to contend with quite a few adverse factors such as shortage of water for the three months, a 25 per cent power cut in summer and an illegal strike that caused a loss of seven working days. Production of paper and board, therefore, was lower at 34,400 tonnes as against 35,300 tonnes during the previous year. Moreover the cost of raw materials such as chemicals, fuel and power recorded a further increase during the year. With a view to maintaining industrial peace, the company entered into a supplementary agreement with its employees, thereby giving further benefits to workmen and extending the existing agreement upto end of 1972-73.

Usha Alloys and Steels

Usha Alloys and Steels Ltd, a new venture promoted by Usha Martin Black (Wire) Ropes Ltd, is setting up a mini steel plant at Adityapur near Jamshedpur, Bihar, for manufacturing high and low carbon alloy still billets with a capacity of 50,000 tonnes per annum. In the first stage the company proposes to manufacture between 28,500 and 35,000 tonnes per annum. It will buy steel scrap and other materials and melt the same in an electric arc furnace and continuously cast the steel into billets in a continuous casting machine. It hopes to commence commercial production in early 1974. To finance this project the company will soon be in the capital market with a capital issue of Rs 108.99 lakhs comprising. Rs 78.99 lakhs in equity shares and Rs 30 lakhs in preference capital. Out of this, equity shares worth Rs 5 lakhs have been reserved for allotment to LIC, Rs 2.45 lakhs each to IFC, and UTI and Rs 24.99 lakhs to Usha Martin Black. The remaining equity shares of the value of Rs 44.10 lakhs and the entire preference capital of Rs 30 lakhs will be offered to the public for subscription. The capital cost of the project is estimated at Rs 3.28 crores including the working capital requirements of Rs 67 lakhs

Rathi Ispat

Rathi Ispat is embarking on an ambitious expansion programme. It is planning to set up a paper mill, a PVC films plant, and a refractory plant. A letter of intent for establishing a PVC films project has already been obtained by the Managing Director Mr Prem Ratan Rathi, who it seems, has agreed to transfer it to the company. Application for industrial licences to set up paper and refractory projects are pending with the government. Meanwhile the objects of the clause of the Memorandum of Association are being amended to include the proposed new activities. The company, which commenced production in early September, 1971, was able to step up production to 90 per cent of the installed capacity. During the year ended June, 1972 sales amounted to Rs 1.34 crores and the company earned a gross profit of Rs 21.92 lakhs. After providing Rs 8.34 lakhs for depreciation, Rs 6.75 lakhs for development rebate reserves Rs 1.50 lakhs for taxation and writing of development expenditure of Rs 1.20 lakhs there was a surplus of Rs 4.13 lakhs. The company has already paid an interim dividend of five per cent which absorbed Rs 1.35 lakhs. The directors have now proposed a final dividend of five per cent on equity shares, making a total of 10 per cent for the year. The dividend on preference shares at the stipulated rate has also been recommended. The company has already exceeded the production target of 12,000 tonnes fixed for the year and with the second furnace already commissioned production during the coming year is expected to be around 30,000 tonnes.

Bajaj Auto

The directors of Bajaj Auto Limited have decided to capitalise Rs 78.34 lakhs out of general reserve and issue bonus shares in the ratio of one share for every two equity shares held, subject to the consent of the Controller of Capital Issues. The bonus shares will rank pari passu in all respects with the existing shares. The company's authorised capital is being increased from Rs 2 to Rs 5 crores.

J. K. Steel

J. K. Steel and Industries Ltd, has earned during the year ended June 30, 1972, a higher gross profit of Rs 23.09 lakhs as compared to Rs 22.61 lakhs in the preceding year. The significant rise in profits have encouraged the directors to enhance the equity dividend from three per cent to five per cent. Out of the gross profit the directors have set apart a sum of Rs 10.29 lakhs to dep-

reciation reserve as compared to Rs 10.22 lakhs in 1970-71 while the transfer to general reserve was stepped up from Rs 7.86 lakhs to Rs 8.89 lakhs. The balance of Rs 3.91 lakhs is set aside for payment of dividends on equity and preference shares.

Somani Steels

The erection of the second electric arc furnace of Somani Steels is making rapid progress and is expected to be commissioned in the course of this month. The letter of intent for the manufacture of billets with a capacity of 50,000 tonnes per annum by continuous casting plant has been received by the company and orders for the purchase of machinery have been placed. The company has also approached the government for grant of an industrial licence for the installation of a new unit for the manufacture of high carbon and low alloy steel and wire drawing plant.

Shamrao Vithal Co-op. Bank

The Shamrao Vithal Co-operative Bank Ltd, has reported commendable progress during the year ended June 30, 1972, with deposits, advances, earnings and profits in particular, recording impressive improvements over the preceding year. Deposits under savings accounts, claiming a major share of the aggregate deposits, jumped to Rs 122.99 lakhs from Rs 109.86 lakhs while fixed deposits shot

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up to Rs 87.32 lakhs from Rs 78.36 lakhs in 1970-71. Deposits under current accounts amounted to Rs 14.83 lakhs as against Rs 15.88 lakhs in the previous year while cumulative deposits from individuals was a shade higher at Rs 8.16 lakhs as against Rs 8.11 lakhs in the earlier year. Cash in hand with the bank, including balances with other banks, was augmented during the year by Rs 1.2 lakhs to Rs 9.6 lakhs. To meet the increasing demand for credit the bank expanded its advances portfolio by a considerable margin. The bank's short-term loan advances was more than doubled to Rs 50.83 lakhs, registering a gain of Rs 27.55 lakhs over 1970-71. Its long-term advances too recorded a handsome rise to Rs 38.75 lakhs from Rs 32.72 lakhs while medium-term advances contracted by Rs 12.86 lakhs to Rs 17.46 lakhs. The income earned from interest increased sharply from Rs 15.35 lakhs to Rs 19.30 lakhs but the outgo by way of interest was appreciably higher at Rs 11.14 lakhs a rise of about Rs 2 lakhs over 1970-71 while salaries and allowances absorbed Rs 3.38 lakhs as compared to Rs 2.53 lakhs a year ago. The all-round improvement in working results has enabled the bank to earn a handsome net profit of Rs 2.96 lakhs, Rs 0.72 lakhs more than in 1970-71.

MICO

The construction of the new factory of Motor Industries Co. Ltd at Nasik was inaugurated on November 29 by Mr G. Schoeffler, Technical Director of MICO. The new factory is a part of a major expansion of the company, which also envisages a substantial increase in production at the Bangalore factory. Initially, nozzles and nozzle-holders will be manufactured at Nasik. The first stage of construction at Nasik is expected to be completed in another 12 months. After that, the activities of the Nasik pilot plant, which is now operating in rented premises would be shifted to the new factory. The company's experience in Nasik so far has proved that the people of a predominantly agricultural area with hardly any industrial background could develop into highly skilled operators through good training. This augured well for the future of the Nasik factory. Those trained in the pilot plant would form the core of the new factory.

News And Notes

(*Expansion and Diversification*)

Rohtas Industries Ltd has embarked on a crash programme for increasing paper production by 15,000 tonnes to 75,000 tonnes per annum in the first stage by incurring an expenditure of Rs 3.75 crores including foreign exchange and this will increase considerably the profitability of the paper division. In the second phase efforts will be made to raise the annual capacity to 125,000 tonnes for which the company has in hand the necessary letter of intent. Meanwhile as a result of replacements and improvements carried out to plant and machinery at a cost of over Rs 1.5 crores the company has been able to achieve the rate of production of 60,000 tonnes per annum as against about 43,500 tonnes produced during 1968-69. Production in October, 1972, in fact has been the highest ever at 5,479 tonnes. Steps are also being taken to effect further improvements to plant and machinery. Installation of equipment for separate cooking of hard wood and bamboo has already been taken up. Hard wood which is available in adequate quantities and at comparatively cheaper rates is being increasingly used and it is hoped that all these steps will result in finer quality of finished products and cost reduction while maintaining at the same time production at the rate of 60,000 tonnes per annum in future.

New Venture

Ronald Steel and Rubber Industries is setting up a Rs 4-crore steel and fabric conveyor belts project in Madhya Pradesh in collaboration with BTR Beltings Ltd, UK, a firm of century old standing and the largest manufacturer of conveyor belts in the world. The company has received a letter of intent for the manufacture of 36,000 metres of steel cord conveyor belts and 36,000 metres of fabric conveyor belts including cotton, nylon, polyester fibre and other ducks. It has also schemes to manufacture at a later stage transmission belts, vee belts and industrial rubber accessories. The capital cost of the project is placed at Rs 4 crores and it will be financed through the share capital of Rs 1.50 crores and loan capital of Rs 2.50 crores. The turnover estimated to be around Rs 4.50 crores in 1974-75, is expected to rise to Rs 6 crores in 1975-66 and further to Rs 7.5 crores in 1976-77. About 10 per cent of the output will be exported. The company will have a trading activity of Rs 2 to Rs 3 crores right from the beginning and the profit from this activity will help distribution of dividend from the first year itself. The Madhya Pradesh government has offered the company adequate land, power water and other infrastructural facilities.

New Issues

Seven Seas Corporation Ltd, a new company promoted by J.K. Organisation, entered the capital market on December 14, with a capital issue of Rs 1.60 crores, consisting of 11,99,930 equity shares of Rs10 each and 40,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each for cash at par. Out of the present issue, 4,79,930 equity shares of Rs 10 each have been allotted to J.K. Chemicals Ltd and its associates J.K. Investors (Bombay) Ltd. The remaining 7,20,000 equity shares of Rs 10 each and the entire preference capital are now offered to the public for subscription. The list for this fully underwritten issue will close on December 26 or earlier but not before December 18. The company plans to acquire about two to four new second hand bulk carriers of about 20,000 dwt each and over, in good operating condition. It has already submitted a comprehensive proposal for the approval of the government for the acquisition of one ship 27,000 dwt and the consent of the government is expected shortly. Negotiations are in an advanced stage for the acquisition of the envisaged tonnage and the entire programme is scheduled to be completed by early March 1973. The outlay in the project will be financed with share capital of Rs 1.60 crores and a foreign exchange loan of Rs 8·01 crores from First National City Bank of New York. The Chairman, Mr Gopalkrishna Singhania, pointed out that the Indian tramp shipping companies had worked very profitably even during the worst recorded year in the history of tramp shipping. The average earnings on the equity of four leading Indian tramp companies had been between 20 to 40 per cent which in fact was more than twice the average earnings of the corporate sector as a whole. The chairman felt that Seven Seas Corporation will be a viable and profitable venture and the company will start earning revenue in all probability from January 1973. Barring unforseen circumstances the directors are hopeful of declaring a maiden dividend of 8-10 per cent for 1975-76.

Bharat Gears Ltd promoted by Bharat Steel Tubes Ltd and Raunaq & Co. Pvt. Ltd is setting up a plant in Maharashtra for the manufacture of spiral level, straight level, spur and helical and worm gears with a licensed capacity of 1000 tonnes per annum. Civil construction has already commenced. The erection of the plant will be completed by November next year and the trial production is likely to start by the end of 1973. To raise part of the resources for the implementation of this project the company is entering the capital market on December 18 with a public issue of Rs 1.26 crores comprising 9,60,000 equity shares of Rs 10 each and 30,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each, both at par. The subscription list will close on December 29 or earlier but not before December 21. In the

first full year of its working utilisation of the plant capacity is expected to be of the order of 60 per cent and this will rise to 80 per cent in 1975 and to cent per cent capacity in the following year. Sales in the first year of its operations are estimated at Rs 60 lakhs, to Rs 2.50 to Rs 3 crores in 1975 and to Rs 4 crores in 1976. The company is expected to earn a handsome profit in the first year itself and it is likely to go up to Rs 1 crore in 1976. The directors are hopeful of declaring a maiden dividend of not less than 10 per cent for the year 1975. The capital outlay on the project is estimated at Rs 4,60 crores, and it will be financed through the share capital of Rs 1.90 crores, term loans including foreign currency loans of Rs 2.66 crores and deferred payments of Rs 4 lakhs.

Gujarat Automotive Gears Ltd is issuing on December 18 to the public 171, 500 equity shares of Rs 10 each at par. The list for this fully underwritten issue will close on December 29 or earlier but not before December 21. The proceeds of this issue will be utilised for financing partly the company's project being set up near Baroda for manufacturing various types of gears for automobiles, tractors, trucks and scooters. As against the licensed capacity of 800 tonnes the initial production would start with 350 tonnes. It is felt that there might not be much competition between the company and other manufactures as the nature of items produced would be quite different from those manufacured by other units and that there is a large demand for gears in the country. The capital cost of the project is estimated at Rs 111 lakhs including the working capital of Rs 43 lakhs, and it will be met out of the share capital of Rs 35 lakhs, long-term loan of Rs 3.75 lakhs from ICICI, Rs 20 lakhs from GSFC, deferred payment guarantee by GSFC of Rs 10 lakhs, deposits from promoters of Rs 7.25 lakhs and bank borrowings and cash accruals of Rs 35 lakhs. Production is expected to commence by the end of January 1973 and commercial production from July 1973. Sales for 1973-74 are expected around Rs 75 lakhs, rising progressively to Rs 1.80 crores by 1976-77. On present reckoning the company is expected to pay a maiden dividend for 1974-75.

Company Registrations

Two hundred and thirty four eompanies were registered under the Companies Act, 1956, in different states and union territories during April, 1972. Of these, three were associations not for profit, registered as guarantee companies while the remaining two hundred and thirty-one were limited by shares. Of the 231 companies, 18 were public limited and 213 private limited having aggregate authorised capital of Rs 7.10 crores and Rs 22.06 crores, respectively. Five of these were government companies. The name of the company, the state of registration and the authorised capital of these five companies are as follows :

Punjab Anand Batteries Ltd. Punjab, Rs 1 crore ; Orissa Small Industries Corporation Ltd, Orissa Rs 0.5 crore ; State Farming Corporation of Kerala Ltd, Kerala Rs 1 crore; Tamil Nadu Civil Supplies Corporation Ltd, Tamilnadu Rs 3 crores ; Bharat Ophthalamic Glass Ltd, West Bengal Rs 6 crores.

Of the companies registered during the month, fourteen were large sized companies having each an authorised capital of Rs 50 lakhs or above.

During the month under review 36 companies were reported to have ceased functioning. These companies were limited by shares and had an aggregate paid-up capital of Rs 42.4 lakhs. Maharashtra reported the highest number of new registrations as also of companies ceasing to function.

The state-wise distribution of new registration (with liquidations and struck off companies given in brackets) is as follows : Maharashtra 54 (12), West Bengal 39 (4), Delhi 27 (10), Tamilnadu (20) 2, Mysore 14 (2), Uttar Pradesh 13 (2), Andhra Pradesh 12 (2) and Gujarat 11 (nil), Kerala 8 (1), Rajasthan 7 (nil), Bihar 6 (Nil), Punjab 5 (1), Madhya Pradesh 4 (Nil), Assam 2 (Nil), Haryana 2 (nil), Chandigarh 2 (nil), Orissa 2 (nil), Goa, Daman and Diu 1 (nil), Pondicherry 1 (nil), and Himachal Pradesh 1 (nil). The industrial classification of these companies which ceased functioning in brackets is as follows : Processing and Manufacture 144 (14), Commerce (Trade and Finance) 44 (14), and other activities 43 (8).

Company Meetings

New India Sugar Mills Ltd, 9/1, R. N. Mukherjee Road, Calcutta-1; December 18, 3.30 PM.

Upper Ganges Sugar Mills Ltd, 9/1, R. N. Mukherjee Road, Calcutta-1; December 29; 3.30 PM.

Bharat Sugar Mills Ltd, 9/1, R. N. Mukherjee Road, Calcutta-1; December 29; 3.45 PM.

Golden Tobacco Company Ltd, Registered office, Vile Parle, Bombay-56; December 28, 11.00 AM.

Champarun Sugar Company Ltd, Registered office, Sutherland House, Kanpur, December 29; 10 AM.

Rohtas Industries Ltd, Registered office, Dalmianagar, Bihar; December 29; 3.00 PM.

Jenson & Nicholson (India) Ltd, Registered office, No. 225, Lower Circular Road, Calcutta December 29; 3.30 PM.

The Mysore Paper Mills Ltd, New Hall, Nandi Hotels (P) Ltd, No. 5, Sampangi Tank Road, Bangalore-25; December 30, 10.45 AM.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Auckland Jute	March 31, 1972	12.0	Nil
Geep Flashlight Industries	April 30, 1972	20.0	16.0
Chloride India*	August 31, 1972	22.5	20.0
Same Dividend			
Paper & Pulp Conversions	July 31, 1972	10.0	10.0
Premier Auto Electric	June 30, 1972	11.0	11.0
Gannon Dunkerley	March 31, 1972	Nil	Nil
Jaipur Metals & Electricals	March 31, 1972	Nil	Nil
Shah Malleable Castings	June 30, 1972	20.0	20.0
Khodiyar Pottery Works	July 31, 1972	10.0	10.0
Mysore Coffee Curing Works Limited	June 30, 1972	10.0	10.0
India Forge & Drop Stampings	June 30, 1972	Nil	Nil
Bababudin Coffee & Produce Co.	June 30, 1972	12.0	12.0
Reduced Dividend			
Nonsuch Tea Estates	June 30, 1972	10.0	20.0

*Formerly Associated Battery Makers (Eastern) Ltd.

RECORDS AND STATISTICS

Resources for development—role of financial institutions

Speech delivered by Mr S. Jagannathan, Governor, Reserve Bank of India, at the International Seminar of Economic Journalists organised by the Forum of Financial Writers in Delhi, on December 6.

Please see also pages 1225 to 1228.

WE ARE all very conscious that the major constraint on the development of an underdeveloped country such as India is that of resources. The constraint arises mainly because the level of income is low and hence also the level of savings. The problem becomes more acute when the major part, in fact almost all of the resources, for development has to come from domestic savings. Financial institutions play a significant role in tackling this problem. Concerning myself today with just the voluntary savings which flow through the organised financial system rather than with total savings in the economy, I shall speak on the way in which the financial institutions in India have approached the problems of mobilisation and deployment of resources.

The major function of financial intermediaries in India, as elsewhere, is to mobilise the savings of the surplus sectors in the economy and make them available to the deficit sectors. This important role of theirs is well recognised and understood. There are, however, certain aspects of the working of financial institutions in developing countries such as India which make them somewhat different in their operations from their counterparts in the developed countries. I am referring, in particular, to two such aspects: first, intermediaries which mobilise resources from net savers and make them available to those who are in need of resources, have to do so giving primary attention to the needs that are in accordance with the priorities of development. In a country which has adopted planning as the technique of development, deployment of resources according to the needs of the Plan is as important as the mobilisation of resources; hence measures have to be taken to ensure such conformity with Plan priorities. The second aspect which I shall refer to is that financial institutions can not merely mobilise existing resources; they can also help in increasing the quantum of savings and the saving/income ratio by increasing the productive capacity of the economy and then mobilising the savings out of additional income so generated. This is, of course, not something unique in developing countries; financial institutions in the developed countries also do this. The difference arises because the credit gaps—which retard production— are many more in developing countries and hence either financial institutions have to adapt their practices to fill such gaps, or new institutions have to be created. This calls for active efforts in which the Central Bank of the country has necessarily to play a role. I shall give a brief description of the evolution of the financial institutions in India during the last few years to show how the financial system in the country has met the tasks of mobilising resources and deploying them for productive purposes.

In considering this, it will be useful to keep in mind the circumstances which have conditioned the growth and changes in the financial structure of the country. Since 1951, when the first five year Plan of the country was started, a number of changes has taken place in the economy. The national income of the country at current prices is estimated to have increased by 2:8 per cent in the 20-year period between 1950-51 and 1970-71, *per capita* income during the same period having increased from Rs 267 to Rs 620. It is estimated that at constant prices the national income and *per capita* income have shown respective rises of 107 per cent and 37 per cent between 1950-51 and 1970-71. Even so, the standard of living of the people, as you know, is very low and the *per capita* income in 1970 was only around 2.2 per cent of that in the USA.

Poverty and unemployment are also widespread. The economy has been able to increase the level of its investment from about 5.5 per cent of national income (at current prices) in 1950-51 to 11.6 per cent in 1970-71. A substantial part of this investment has been financed by domestic savings which, as a proportion of national income at current prices, has increased from 5.7 per cent in 1950-51 to 10.3 per cent in 1970-71, with some fluctuations in the years in between. A very important change that has taken place during this period is in the asset preferences of the savers. The share of currency in the total monetary resources (money supply plus time deposits of banks) has been declining. Time and savings deposits in banks, which are interest bearing assets, have shown a tendency to increase. Similarly, savings in the form of life insurance and provident funds have also increased. Thus the savings of the household sector — which is the major saving sector in the economy—in the form of financial assets, as a proportion of national income at current prices, have increased from 0.2 per cent in 1950-51 to 4.3 per cent in 1970-71. This shows that the savers are tending to prefer financial assets that are liquid and also yield a return. The infrastructure in the economy has also been strengthened. Scientific methods are being used in a progressive degree in the cultivation of crops, the level of industrial production has almost doubled since 1960-61 and the country now produces a vast variety of industrial products. Indigenous technology has shown appreciable progress, and inspite of widespread poverty, the economy has been operating at a higher level. The changes in the economy have implied that the demand for resources, both for working and fixed capital has increased and that the financial institutions are called upon to mobilise additional resources, as well as adapt their policies and procedures to the needs of the economy. The most important change socially which has taken place in this period is in respect of the expectations of the people. There has been a revolution of rising expectations for removal of poverty, raising the level of living, creation of employment opportunities, and spread of educational facilities. In other words, in terms of expectations of the people, development with social justice has assumed an urgency.

It is against this background of economic and social changes during the last two decades that we have to consider the role of financial institutions in the process of development, and in particular, the mobilisation and deployment

of resources. If we compare the types of financial institutions which mobilised resources in 1950-51 with those operating today, we find that there has been only one new institution, *viz.*, the Unit Trust of India that has been established for mobilising savings. Thus, the major institutions for mobilising savings 20 years ago and at present continue to be the commercial banks, co-operative banking system, postal savings banks, insurance companies, provident funds, investment companies, and certain entities such as indigenous bankers in the semi-organized financial sector. Another striking point which emerges from such a comparison however is that the number of specialised financial institutions has very much increased during this period.

Thus, whereas in 1950-51, there was only one term-lending institution, *viz.*, Industrial Finance Corporation, today there are quite a few, *viz.*, Industrial Credit and Investment Corporation of India, the Industrial Development Bank of India and its recently established associate the Industrial Reconstruction Corporation of India, with, at the State level, State Financial Corporations, State Industrial Development Corporations and some other corporations in a few advanced states with similar functions. In the agricultural field also, specialised institutions have been set up. These are agricultural Finance Corporation and Agricultural Refinance Corporation. In addition, certain institutions have been set up for meeting specific felt needs; Export Credit Guarantee Corporation of India to assist in the extension of export credit, Deposit Insurance Corporation to provide a measure of protection to the depositors of banks, Credit Guarantee Corporation to encourage the flow of credit to certain neglected sectors like agriculture, small transport operators, and other small borrowers. A number of other measures has also been taken with the purpose of accelerating the flow of credit to certain priority sectors in the economy and to strengthen the existing financial structure.

It should be interesting to examine in some detail the above-mentioned two phenomena, viz., that the types of resources mobilising institutions have, by and large, remained the same and that a number of new term-lending and other institutions have been set up during the last two decades.

As mentioned earlier, except the Unit Trust of India, there has been no change in the type of institutions mobilising the savings of the community. However, this does not mean that the situation has remained static. Quantative and qualitative progress has been made in the case of almost all these institutions. The commercial banking system has been consolidated and very much strengthened. The number of commercial banks has declined from 566 in 1951 to 83 in 1972 as the result mainly of a policy of merger, reconstruction and consolidation under the guidance of the Central Bank of the country. The number of their branches, however, has gone up from 4,151 in December 1951 to 14,030 at the end of September 1972; the greater part of this tremendous expansion has been during the last three years. The average population served by a commercial bank office has come down from 87,000 to around 39,000 in the same period. Deposits with commercial banks have increased from Rs 9,000 million in 1950-51 to about Rs 78,000 million at the end of September 1972, the rate of increase in the most recent twelve months being more than 19 per cent. As a proportion of a national income, these deposits have gone up from 9 per cent in 1951 to 19 per cent in 1972. The amount of *per capita* deposits of commercial banks has gone up from Rs 25 in 1951 to Rs 139 in 1972. Deposits of the co-operative banking system, which operates mainly in the rural areas, have also shown progress, although it is not as remarkable as in the case of commercial banks. The amount of life fund of the Life Insurance Corporation has increased from Rs. 3,810 million in 1956 to Rs. 20,670 million in 1972 and the amount of provident funds from Rs 190 million in 1950-51 to Rs 4,200 million in 1972. The Government has introduced a number of small savings instruments, such as postal savings and time deposits, recurring deposits, National Savings Certificates, National Plan Certificates, Defence Savings Certificates, etc. The progress of these schemes can be judged by the fact that the net collection under these schemes has increased from Rs 390 million in 1950-51 to Rs 2,100 million in 1971-72. The outstanding amount under small savings schemes has shown an impressive rise from Rs 1,250 million in 1950-51 to Rs 24,210 million in 1971-72.

While these statistics of relative growth are fairly impressive by themselves, important and far-reaching changes have taken place in the structure as well as in the working of these financial institutions. Thus the commercial banking system which was urban oriented because of historical reasons is progressively entering the semi-urban and rural areas under a planned policy of branch expansion. To illustrate, of the total number of branches opened between July 1969 when fourteen major commercial banks were nationalised and June this year the proportion of branches opened in the unbanked areas was 64 per cent. The percentage of branches in centres with a population of 10,000 or below which was 22.3 per cent as on July 19, 1969 was 38.7 per cent in June 1972. An important change has taken place in the deployment of resources of commercial banks under social and economic compulsions. Whereas 'commerce' which obtained about 40 per cent of bank credit in 1951 now gets only 17 per cent or even less, 'industry' which claimed only about one-third of total bank credit now accounts for more than sixty per cent. Agriculture, which was traditionally left for the co-operative organisation and ignored by the commercial banks is now becoming an important sector in the credit plans of commercial banks. Thus, in 1951, only 2 per cent of bank credit was extended to the agricultural sector; this proportion has more than doubled in 1972 in as a proportion of total commercial bank credit which itself has increased almost nine-fold. These proportions exclude finance indirectly made available to agriculture by commercial banks by way of extending credit for distribution of fertilisers and other inputs, advances to Electricity Boards for energising pumpsets and so on; if these are also included, agricultural credit at present would account for 8 per cent of the total bank credit. Similarly, advances to small-scale industries, which occupy a special place in the technique of Indian economic development because of their importance in total industrial production and their capacity to generate employment, have shown a remarkable increase. As a proportion of total credit they accounted for 7.9 per cent at the end of June 1969 and in March 1972 claimed a share of 11 per cent in the total. In fact, credit extended by the public sector banks to priority and hitherto neglected sectors such as agriculture, small industry, retail trade and small business, professional and self-employed persons and education has more than doubled from Rs 4,390 million or 14.5 per cent of their total credit in June 1969 to Rs 10,000 million or 22.8 per cent in March 1972.

These changes are a direct result of the policy to utilise the commercial banking system in the socio-economic service of the community. Before 1968 the situation, by and large, was that the boards of management of these banks were controlled by business groups, their credit operations were security-oriented rather than purpose-oriented and a large part of the credit went to large borrowers because they were more creditworthy and easy to lend to and this involved a lower cost. Commercial

banks in general, preferred to leave lending to agriculture—which accounts for almost half of the national income of the country — to co-operatives. In 1968 "Social Control" over banks was introduced; this signified that credit was to be made a meaningful instrument of social and economic policy. Since then, and more particularly, after the nationalisation of fourteen major commercial banks in July 1969, a very important change has taken place in the policies and outlook of commercial bankers. Now it is a matter of pride to a commercial bank to be able to show that a large proportion of its branches is in the semi-urban and rural areas and that an appreciable percentage of its advances has gone to agriculturists, small-scale industrialists and other small borrowers. Also, commercial banks are now more closely involved than before in extending credit for food procurement operations, and purposes such as rural electrification and minor irrigation.

The facts outlined show, as I said earlier, that financial intermediaries in India differ from those in the developed countris, and that appropriate measures have to be taken to ensure that the deployment of their resources is in accordance with the requirements of the development of the economy. Left to the operation of market forces, it is not at all certain that the Indian financial institutions would have extended credit to the sectors which have a high priority in the scheme of planned development. In fact, as I have suggested earlier, it was not so long ago that commercial banks paid scant attention to the purpose of lending and the economic effects of such lending e.g., employment generation and maximum contribution to growth of production. It may be emphasised that the changes in the lending policy and procedures in India have gone hand in hand with deposit mobilisation. Thus, the rate of growth of deposits which used to be around 8 per cent in the 'fifties' and 11 per cent in the 'sixties' has during the last 2 years exceeded 19 per cent. In this, the contribution of helpful policy, and of institutional developments such as the branch expansion programme, has been far from negligible even when all allowance is made for the increase in prices and the effect of Government's deficit spending. The average growth rate of deposits during the three years 1969-72 was 17.6 per cent; if adjustment is made for the increase in prices during the period, average growth rate at constant prices was still 13.7 per cent, which is by no means small.

I may mention at this stage that the primary institutions for mobilising resources and extending credit in the rural/agricultural sector in India continue to be the co-operative credit institutions. They cover a very large area and their operations have extended to far off villages. However, they have not been as successful in mobilising resources as the commercial banks. It is shown by the fact that in the case of State Co-operative banks deposits formed only 41 per cent of working capital in 1970-71. The Reserve Bank's statute itself provides for an Agricultural Credit Department and the Bank has taken effective steps to organise the flow of funds to co-operative institution. These institutions. continue to rely heavily on the Reserve Bank, although the degree of such dependence is declining in recent years. Thus, borrowings of State Co-operative banks from the Reserve Bank as a proportion of their total advances have declined from 63 per cent in 1960-61 to 45 per cent in 1970-71. The extension of Reserve Bank credit to these institutions in considerable value has been for giving them the needed support in their primary task of organising the flow of inexpensive credit to the cultivators and providing relief from burdensome indebtedness to village moneylenders. This policy has achieved a measure of success; the proportion of co-operative credit to the total borrowings of cultivators which was hardly 3 per cent in 1951-52 is estimated to have increased to something like 25 per cent in 1969-70. Moreover, a larger volume of co-operative credit per acre is now being extended than before for enabling the cultivators to adopt modern methods of cultivation. It may be added, however, that many problems still remain in this as in many other spheres. Co-operative institutions suffer from heavy overdues, their development as between different areas is uneven and until recently according to available information the major beneficiaries of the co-operative credit were large rather than small farmers. Positive measures taken are progressively rectifying this situation. The Agricultural Credit Department of the Reserve Bank keeps close touch with development in co-operative credit and offers help, both financial as well as in terms of personnel, for the organizational improvement of the co-operative credit structure. The extension of credit for agricultural purposes by the commercial banks supplements the activities of co-operatives and the former too give special attention now to meeting the needs of farmers with less than 5 acres of land. The Reserve Bank has given guidelines to commercial banks for extending credit to agricultue and schemes have been evolved for co-ordination of efforts between the co-operatives and commercial banks.

Another development which has taken place in recent years is in respect of concerted efforts made by different financial institutions for the development of specified areas. A scheme called the Lead Bank Scheme has been introduced with the purpose of entrusting a specified bank with the responsibility of surveying the credit needs of the area where it is designated as the lead bank and bringing about co-ordination between the operations of different lending institutions and other agencies connected with local development. Lead banks have completed their impressionistic surveys to identify likely centres for bank offices in most of the districts allotted to them and have assisted in the immense task of getting bank offices opened in unbanked contres.

While on the question of recent developments, I may mention the rationale of the establishment of the Unit Trust of India in 1964. The rapid industrialisation programme of the country created opportunities of investment in industrial securities. On the other hand, a large bulk of the population was not able to take advantage of these opportunities because of their lack of familiarity with the capital market. Therefore, at the initiative of the Reserve Bank, a public sector institution, viz., the Unit Trust of India was started in 1964 which sold its units to savers and invested the proceeds in industrial securities. Thus it combined for the small saver the advantages of safe, liquid and return —yielding investment. The scheme, partly because of fiscal concessions, has been a real success judged by the fact that the value of units purchased i.e., private savings invested, which at the end of 1964-65 was about Rs 200 million has now increased to about Rs 1,200 million. This experiment shows that the potential for increasing or institutionalising savings in India is large provided that suitable savings instruments are offered to the public. This potential, particularly in the rural areas, has not so far been fully tapped. This is shown by the fact that the ratio of savings to income in the rural sector remained stagnant around 2.3 per cent throughout the period 1950-51 to 1962-63, while for the urban households the corresponding ratio increased from 7.3 per cent to 17 per cent in the same period.

We have so far been discussing the way in which financial institutions mobilising the savings of the community have grown and changed in the last few years in response to the social and economic needs of the country. We may now consider the development of special financial institutions set up by the authorities, particularly for providing term finance to industry and agriculture.

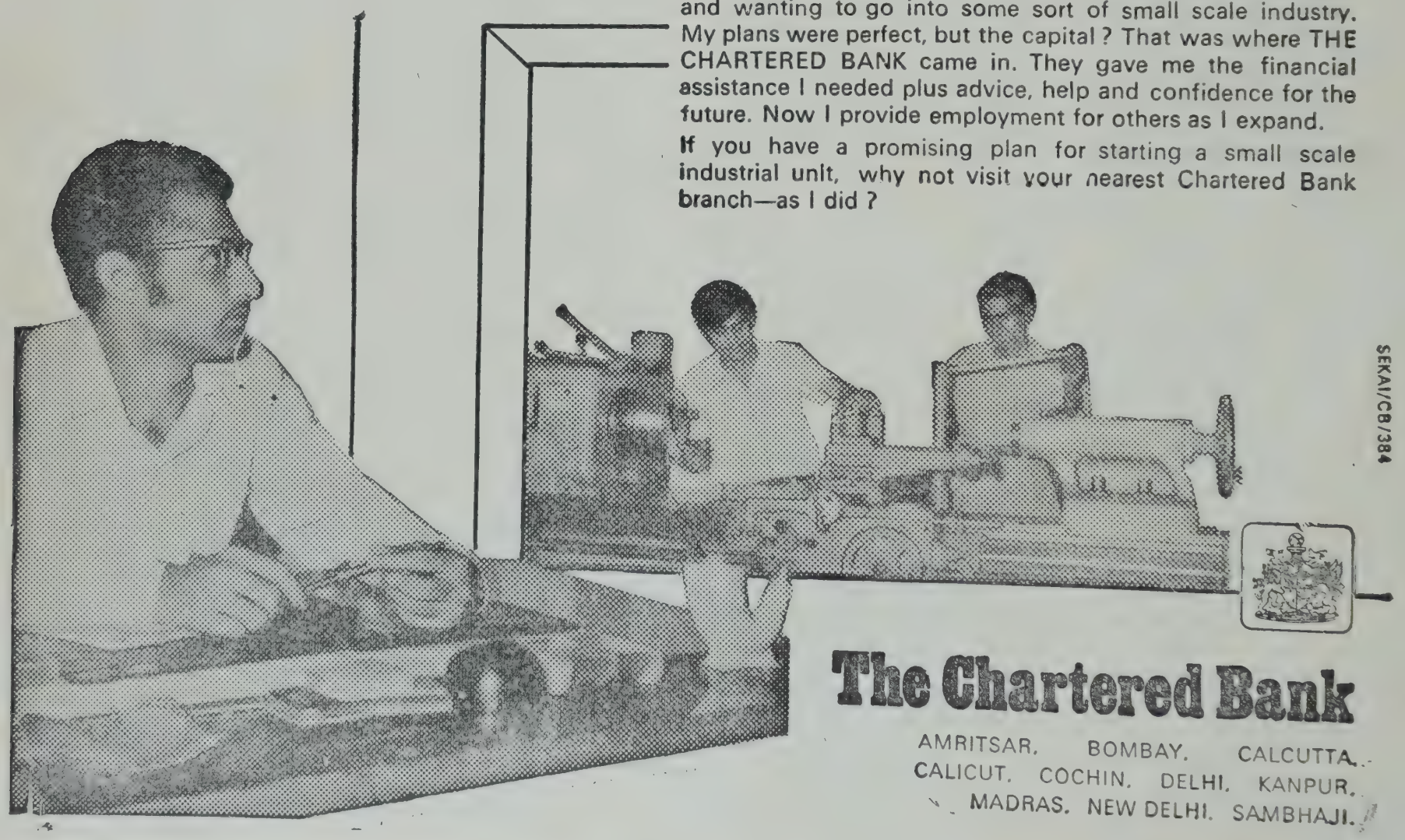
The most important financial institution in India viz.,

the commercial banks were historically patterned along the British banks and hence provided for most part working capital to industry and other sectors. This was important because it ensured the utilisation of benefits of fixed investment already made. However, as the economy grew, the needs for medium and long-term finance also continued to increase. Commercial banks extended term credit by way of rolling over short-term loans, but the amount of formal term loans extended by them was small. The capital market in India was not so well developed as to meet all the needs of term credit. It was under these conditions that specialised term financing institutions were set up in the country.

The first such institution to be set up was the Industrial Finance Corporation of India which was established in 1948 mainly with a view to catering to the financiol requirements of medium and large-scale industries. The Industrial Credit and Investment Corporation of India was set up in 1955 with the support of the Government and the World Bank to finance industries. It has as its main object, the development, expansion and modernisation of industrial enterprises in the private sector by providing finance in the form of long term and medium term loans, under writing public issues of shares and debentures, subscribing directly to shares and debentures etc. This institution from its very inception has played an active role in providing risk capital to industrial concerns. By under writing industrial issues it has filled an important credit gap in the institutional set up of the country. The State Financial Corporations, which are public sector institutions at the State level, were set up mainly to provide financial assistance to small and medium concerns. The activities of the State Financial Corporations and of the Industrial Finance Corporations at the nation al level are coordinated through the prescription of a ceiling on the size of the loans extended by the state Corporations.

Account being taken of the large resources needed for industrial development and in order that there may be apex institution for other industrial financing institutions, the Industrial Development Bank of India was established in 1964, as a fully owned subsidiary of the Reserve Bank of India. This has a special place in the industrial finance structure of the country. It supplements and augments the resources of the existing term ffinancing institutions and other credit agencies for the purpose of extending term finance. It provides refinance to these institutions, and also extends direct assistance to industrial concerns especially in participation with other financial institutions. In addition, it underwrites public issues. The funds sanctioned and the funds disbursed have been growing rapidly in recent years. The total assistance sanctioned by this institution in the eight years since its inception has amounted to Rs. 6,350 million. This figure does not include its contingent liabilities like the guarantees that it has

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THE CHARTERED BANK SET ME ON MY WAY



given for loans and deferred payments. During this period it has disbursed an amount of Rs. 4,590 million. In fact, the Industrial Development Bank has been designed and empowered to function not merely as a financial institution, but also as a developmental agency for planning, promoting, and developing industries and to fill up gaps in the industrial structure of the country. This institution, as the premier industrial financing institution of the country, has special responsibilities. One of them is to contribute towards a balanced regional development. It is undertaking surveys of industrial possibilities in a number of backward States so as to identify the potential for industrial growth. It extends loans in backward areas on soft terms. It also acts as the leader of a consortium of banks wherever needed. It has an important function in the field of export credit which it provides not only by way of refinance but also directly to exporters. It has indeed fulfilled many of the functions which are performed by a specialised export credit agency in foreign countries. In its role as a catalyst of industrial development finance, it has also undertaken certain measures. For instance, it has taken the initiative in sponsoring, along with some other financial institutions, the Kerala Industrial and Technical Consultancy Organization. The important objectives of this organization are identification of project ideas, preparation of project profiles, feasibility reports and pre-investment studies in respect of specified industries, identification of prospective entrepreneurs, implementation of projects, provision of administrative and technical assistance to such entrepreneures, and undertaking surveys and market research for specific products. It has also given a lead in the co-ordination of activities and policies of different term financing institutions.

A special institution set up through the instrumentality of the IDBI in April 1971 is the Industrial Reconstruction Corporation of India. Its major function is to finance those industrial units which have either closed down due to mismanagement, bad industrial relations, critical financial position or some other causes, as well as those industrial concerns which are "sick" and in danger of closing down but show promise of viability. It was desirable for the IDBI to start a new institution for tackling these functions because of the special character of the problems involved. You will appreciate that this new institution has to face a number of difficult problems in performing its functions. For instance, it has to identify the treasons for the weakness of the industrial concerns and hen take a number of measures including, for instance, improvement of management and labour relations, clearing legal tangles, assuring not only financial assistance from itself and other financial institutions but also promoting the availability of raw materials and demand for the unit's products. Where the circumstances indicate the need for this is also provides technical and managerial advice and sometimes even the managerial personnel.

In view of the importance of small scale industries in the generation of employment and incomes as well as in the dispersion of economic activity, authorities have taken special measures for encouraging the flow of credit to this sector. These include the Credit Guarantee Scheme under which a substantial portion of the loans extended to small scale industries by commercial banks, State Financial Corporations, etc., is guaranteed. The Reserve Bank administers this Scheme on behalf of the Central Government. A new institution, namely the Credit Guarantee Corporation of India has recently been set up to insure the lending agencies against losses which they might incur in extending credit to small borrowers, These steps have played an important part in encouraging commercial banks and other financial institutions to extend credit to the hitherto neglected sectors of economy. There are a number of institutions catering to the credit needs of small industries. In addition to commercial banks and State Financial Corporations, there is a National Small Industries on Corporation which provides imported machines to small industries hire purchase terms and also offers consultancy services. State Governments also provide financial and technical help. In order to accelerate the pace of industrial development in their respective States, the State Governments have also established State Industrial Development Corporations. The important functions of these corporations are promotion, improvement and development of industries in their respective States.

In the field of agricultural credit, a refinance institution viz., Agricultural Refinance Corporation was set up in 1963 by the Reserve Bank of India. The major function of this institution is to provide refinance against term loans given by Land Development Banks and commercial banks, During the nine years since it was started, the Corporation has sanctioned more than 700 schemes, involving a commitment of Rs. 3,510 million; of this an amount of Rs. 1,250 million has been disbursed. It has played a vital role in providing finance for infrastructural facilities in the agricultural sector, particularly in the field of minor irrigation. It is also making attempts to bring about a reorientation in operations of Land Development Banks and other institutions, especially so far, as the appraisal of the schemes from the technical and economic points of view is concerned. Mention may also be made of the establishment of the Agricultural Finance Corporation as a joint venture by leading commercial banks to finance the development of the agricultural sector. In view of the contribution which the extension of electricity to rural areas can make to the productivity of agriculture and village industries, as well as the living conditions of villagers, the Rural Electrification Corporation Ltd., was set up in 1969 by the Government. Small Farmers Development Agencies have been set up in many States to assist in tackling the special credit problems of small cultivators.

Two or three points emerge from an examination of the evolution and working of specialized financing institutions. First, almost all of them, were set up either by or with the active support of the authorities. In fact, the major resource, of the institutions was the funds provided in the budgets of the Governments or contribution made to the capital or loan funds provided by the Reserve Bank. Thus, *prima facie* these institutions do not mobilise resources in the same sense as commercial and co-operative banks do. And yet, they have succeeded to a large extent in generating resources by assisting the growth of industrial and agricultural sectors. This is illustrated by the fact that in 1971-72, of the total funds of Rs 1,290 million of the IDBI about Rs 510 million came from repayment by borrowers out of the cash generated by the projects financed by it. Term lending institutions are also realising the importance of mobilising resources directly and lessening the degree of their dependence on the Government and the Reserve Bank. Thus, for instance, the IDBI borrowed by way of bonds/debentures about Rs 13 crores from the market in 1971-72; this source accounted for about 10 per cent of the total sources of funds in that year. The Agricultural Refinance Corporation too has raised substantial funds. Secondly, although almost all the term-lending institutions are in the public sector, this does not mean that private sector finance needs are not met by them. In fact, the major beneficiary of these institutions is the private sector. During 1971-72 assistance from the term-lending financial institutions (IDBI, IFCI, ICICI IRCI. SFCs, SIDCs), accounted for as much as 27 per cent of the gross fixed investment in the private corporate sector of industry. This does not include the contribution made by the LIC and UTI by

way of their investment in industrial securities and underwriting of shares. Indeed, a very large portion of initial finance for industrial projects comes from the official term-lending institutions. Third, although the establishment of term financing institutions has contributed to the filling up of a credit gap, the demand for resources is so large that other institutions such as the commercial banks will also have to extend term finance. They are in a position to do this on account of the rapid growth of their deposits in recent years.

Another aspect that I would like to mention is the role of the financial institutions in the process of restraining the concentration of economic power in the country and in dispersing the ownership of assets. In accordance with the guidelines formulated by the Government regarding the conversion of a part of loan into equity, public financial institutions stipulate a conversion clause in their loan agreements in appropriate cases. The institutions also nominate their representatives on the management boards of many assisted concerns and play their part therein. The financial institutions are also progressively involving themselves in the economic uplift of the weaker sections of the community. The emphasis of lending is changing from security to the purpose of the loan. Special credit schemes have been introduced by commercial banks for giving assistance to artisans, self-employed persons and to poor students desiring to achieve higer education.

I fear what I have said about the institutions would sound involved. I shall sum up: The organized financial system comprises at the head, the Reserve Bank of India, the Central Bank of the country, which supervises, guides and assists the commercial and the co-operative banking system as well as term financing institutions in the industrial and agricultural fields. Working capital credit needs of industry are provided mainly by the commercial banks. Among the the term lending institutions, is the Industrial Development Bank of India, at the apex level, which is a fully owned subsidiary of the Reserve Bank of India. It operates as a refinancing as well as the apex institution for the other industrial finance institutions such as the Industrial Finance Corporation, Industrial Credit and Investment Corporation of India, and the State Financial Corporations. The Industrial Development Bank of India together with the Industrial Finance Department of the Reserve Bank of India, supervise and assist the State Financial Corporations which provide credit for small scale industries. The Reserve Bank has also made a substantial contribution to the establishment and management of the Unit Trust of India which provides finance to industries by way of investment in industrial securities.

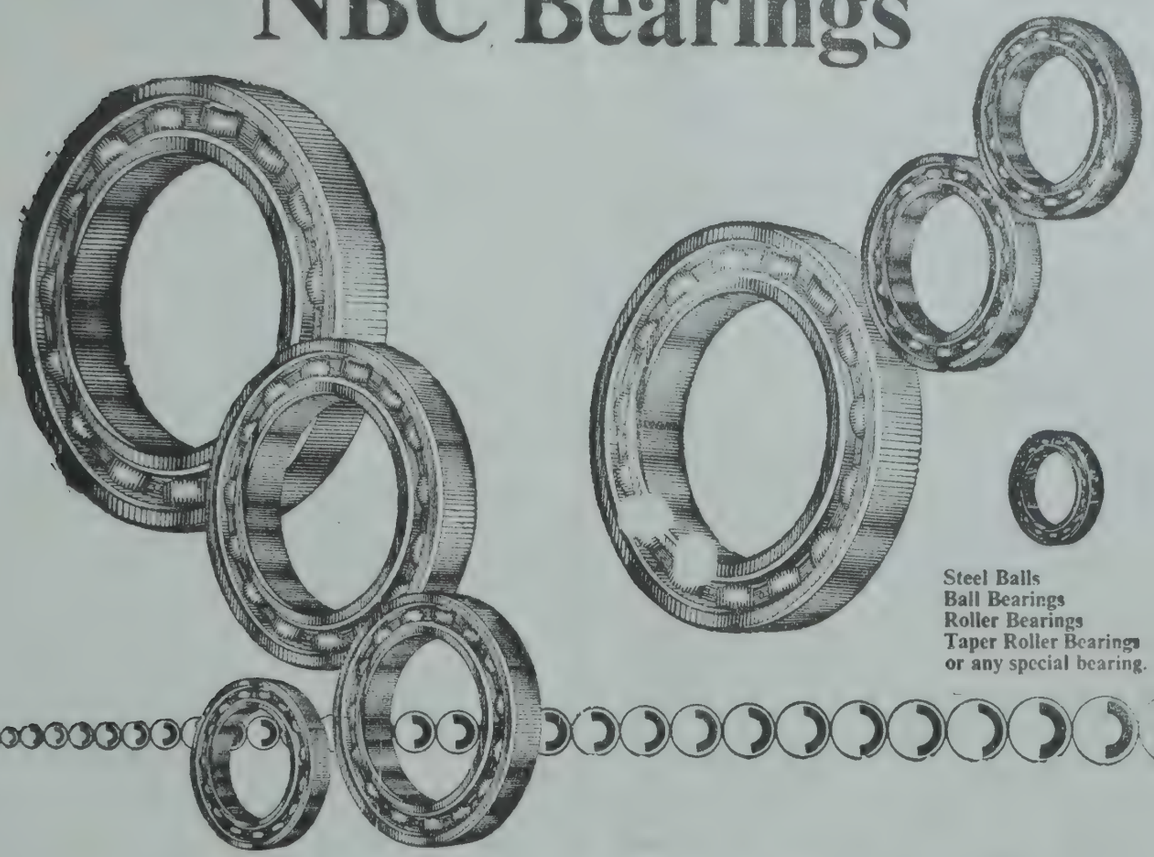
In the agricultural field, the major organised institutions for providing credit are the cooperative banks. Short-term and medium-term credit is provided by a three tier structure, viz., the State Co-operative Banks at the apex level, the Central Co-operative Banks at the district level and the primary agricultural credit societies at the village level. Long-term credit is provided by Land Development Banks. The co-operative system, as I have pointed out above, obtains substantial financial assistance from the Reserve Bank of India. The Agricultural Credit Department which is a specialised department of the Reserve Bank of India keeps a close touch with the system to assist it in tackling the financial and other problems. The Agricultural Refinance Corporation which is an associate institution of the Reserve Bank of India is a refinancing agency providing long-term loans for those projects which the existing credit agencies cannot finance either because of the large amounts involved or some other reasons such as the terms and conditions of repayment of loans. The Reserve Bank has also actively striven for promot ing the strength ofcommercial banks. To give two examples the Deposit Insurance Coporation has reinforced the confidence of the depositor in the commercial banks and in the cooperative banks covered by the scheme. The operation of the credit guarantee scheme and the setting up of the Credit Guarantee Corporation has encouraged financial institutions to extend credit to the sectors which have been extended priority in the social and economic plans of the country. Thus, the picture which is presented by the organised financial institutions today is one of a fairly well consolidated strong system under the leadership of the Reserve Bank of India, which helps in mobilising and augmenting the financial savings and channelling them in the desired directions.

Let me, in conclusion, pull together the various strands in this broad survey of the evolution and development of organised financial institutions in India. Over the years, the financial system has not only changed in size but also acquired a new character. Commercial banks, specialised financial institutions, investment trusts and so forth, have taken upon themselves a larger role than that of purveying credit. In many cases they have provided managerial support and promotional assistance. They have helped in mobilising transferable savings, promoting productive and socially meaningful investments, restraining concentration of economic power and popularising new types of financial instruments.

In strengthening the financial system as well as changing the outlook of such institutions the Reserve Bank, as the central bank of the country, has played a vital role. In formulating its monetary and credit policies, the Bank has sought to assist these institutions in meeting their obligations to the priority sectors. These include small industries or activities contributing materially to exports, greater employment and better income distribution, at the same time as they led to development. The Bank has also contributed in various ways to the development of trained personnel, needed for this variegated financial structure

In saying all this I do not wish at all to give the impression that we have virtually solved our resource problem through modifications in the structure of financial institutions. I make no such claims and indeed I recognise that there is vast scope and need for further development. You will recall my mentioning earlier that we had brought down the average population served by commercial bank branches from around 87,000 in 1951 to 39,000 in 1972. This is undoubtedly a big step forward; even so it should be remembered that the average population served by one bank office in India is about 10 times that in the UK and 6 times that in the US Likewise, in respect of cooperative credit institutions, a very large proportion——nearly 75 per cent cent—of the borrowing needs of cultivators is still met by the unorganised financial sector, notably the professional moneylenders and large farmers. We have to enlarge and further modify our financial structure to overcome these shortfalls in achievement; and we have to do this more rapidly in the future because we are planning for a continued growth in the financial and real resources of the country. With greater economic development and diversification of both agriculture and industry, we know that monetary and credit resources can be mobilised from a continuously growing proportion of income-earners for investment purposes. And with the growth of technology and skilled manpower, these can be distributed more productively and more equitably for exploitation of the country's ample natural resources. It is towards this goal that the financial structure is moving; and I am happy that the Reserve Bank is appropriately involved in this changing sector.

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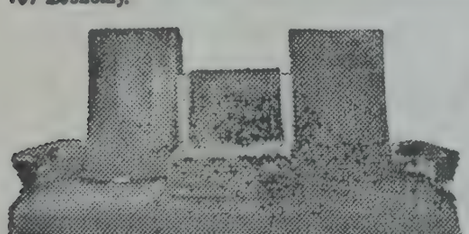
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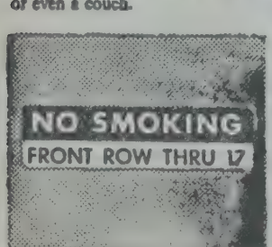
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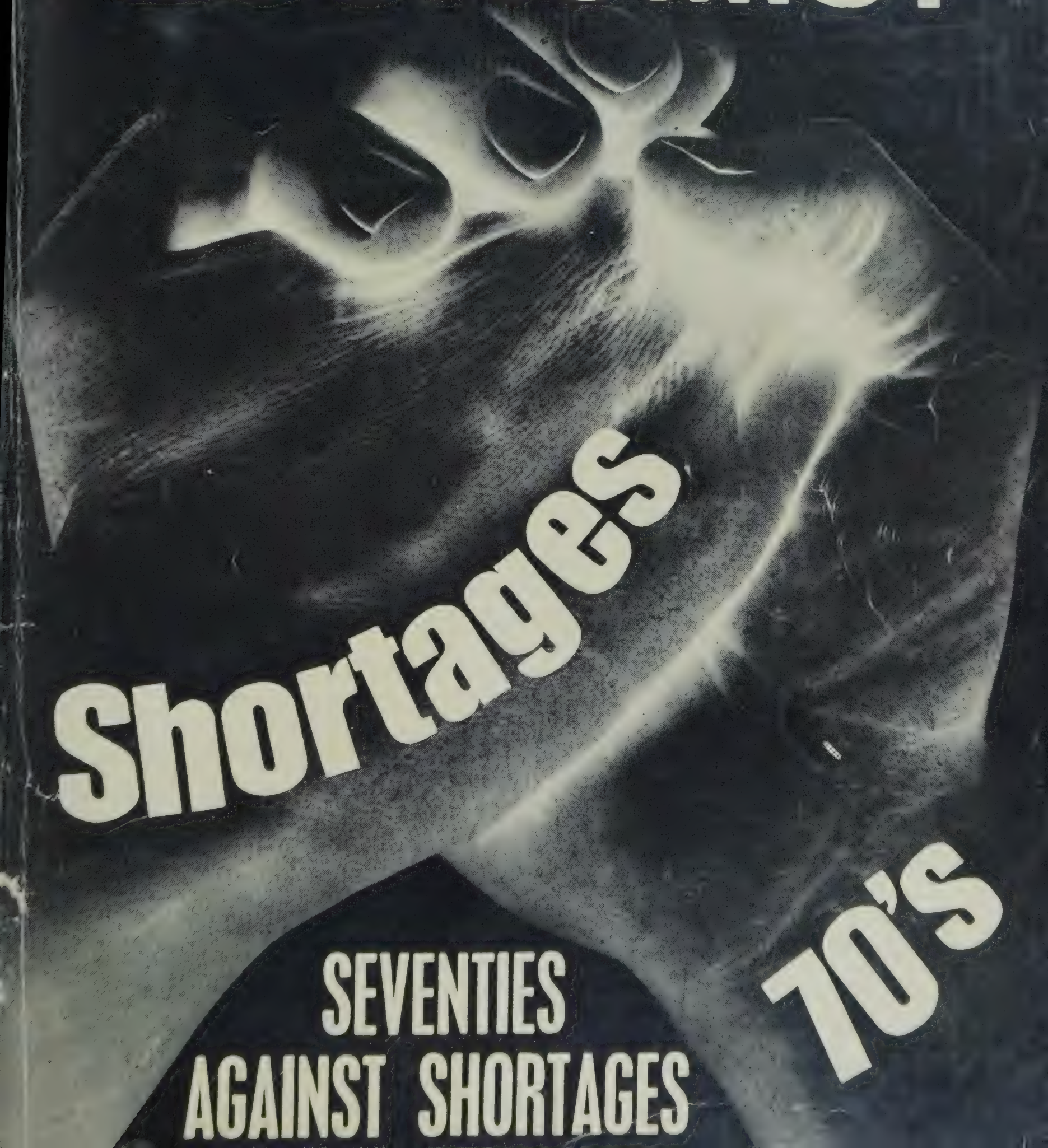
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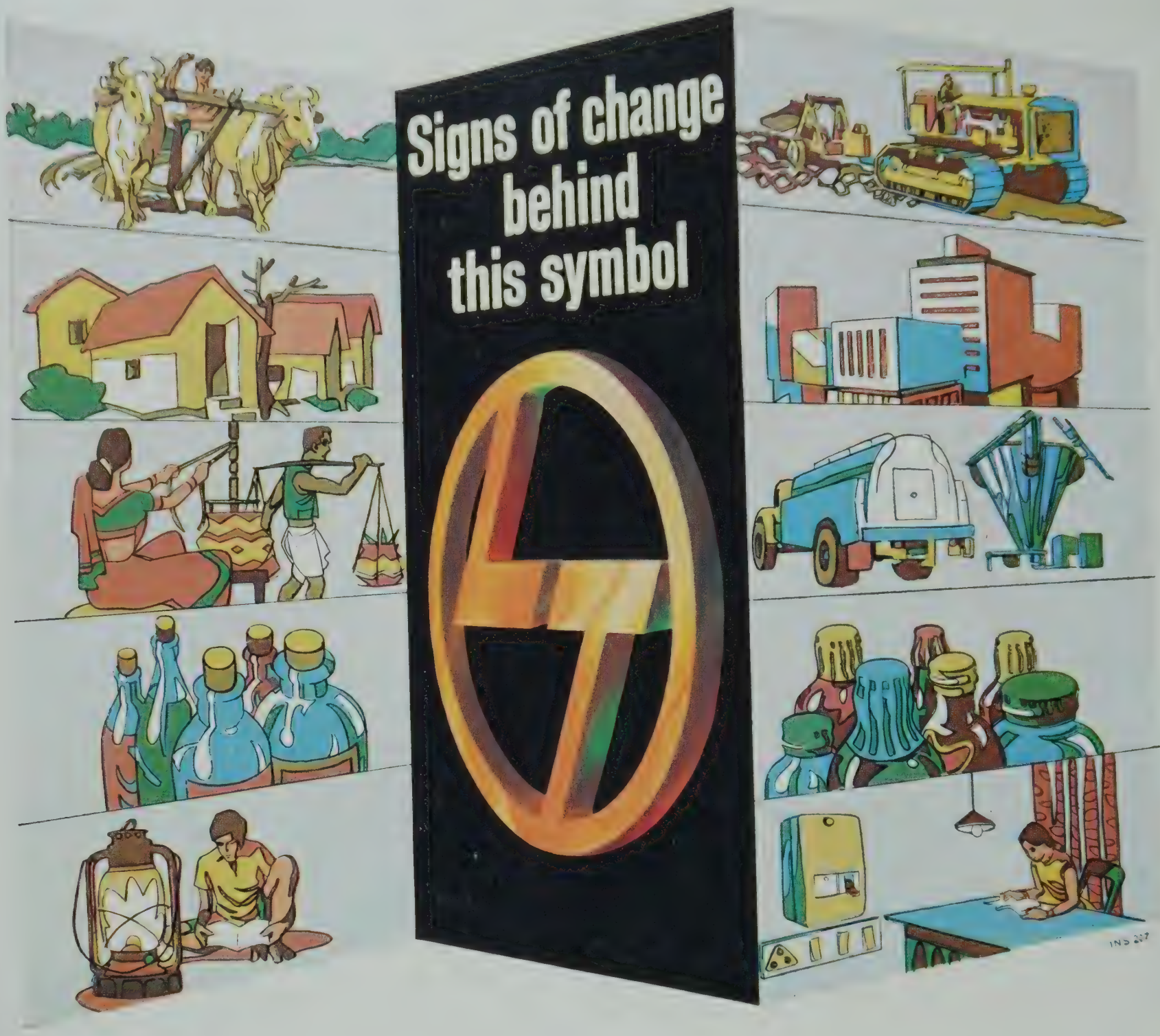
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This demanding decennium

As THIS country was slipping into the seventies, it was clear enough that this decade would throw at it an enormous challenge to match its resources, human and material, and its effort, intellectual and physical, to the urgent claim of its large and growing population to a decent living. At this point of time we have had two years of experience of this demanding decennium, in terms of both opportunity and response, and it is perhaps not too early for us to take stock of what might have been as well as what has been, even as we look forward, as we must, to what needs to be done for our nation's good and the welfare of its citizens.

Virtually from the very beginning, our entry into the seventies had taken on the character of an encounter. Although agricultural production had reached a relatively high plateau thanks to the green revolution, the food-man ratio remained vulnerable to bad weather because the number of hungry mouths to be fed was rising all the time. There were also other serious commodity imbalances since the new agricultural strategy had been directed primarily towards raising wheat yields and, to a less extent, the yields of rice. Commerical crops, though not neglected, had not been brought into the sweep of the green revolution in any meaningful sense. Above all there had not been much progress in basic irrigation for years with the result that large parts of the area under cultivation in several states had to get along with inadequate or uncertain sources of water. Meanwhile the rate of industrial growth had been weakening. While current production was being hit by many adverse forces, new investment in maufacturing facilities had become halting and unsure in its pace.

All this has naturally had disagreeable repercussions throughout the economy. Deficiencies in the infrastructure, particularly in the areas of power and transport, are revealing themselves. Essential commodities and manufactures, whether consumer goods such as sugar and the cheaper varieties of cloth or intermediate goods such as steel, cement and fertilizer, are in short supply. Prices are rising with inflation and shortages reinforcing each other. The economy's capacity to generate employment is suffering. Both GNP and per capita income—rough but ready indicators of the vigour of the economy—are making a poor showing both absolutely and in relation to the performances of many other countries distributed over different stages of economic development. Mass poverty remains massive.

Hence the title and theme of this annual number : The SEVENTIES *against* the SHORTAGES. The meaning is clear. There is tension in the air. We are now involved in a sharp confrontation between the demands of the seventies and our demands on this decade. There is the great urge in our people to see that their nation does not leave the seventies in the state in which it had entered it with one in three of its men, women or children still living in the daily grind of abject and abiding poverty. Pitted against this urge are the imperatives of economic progress to which the people must respond and which call for vision and courage, wisdom, sincerity, discipline, hard work and, given these, faith as well. In an age of rising expectations, we will rise or fall by the success we have or do not, in matching our effort to those expectations.

In the following sections an attempt will be made to identify and analyse the SHORTAGES, emerging or prospective, of resources, facilities or commodities, which constitute the challenge which our country must overcome in the SEVENTIES, take measure of the problems they pose and study the solutions the nation must come forward with. It is recognized that no formula or set of formulae, self-sufficient for all the remaining years of this decade, can be recommended at one stroke or in one place. Even if our experience with planning may have taught us nothing else, it has taught us at least this. Our purpose, then, must be to state, not dogmatically, but certainly with some degree of assurance, what our immediate priorities are, how best they may be served both in their respective, proximate contexts and in terms of the nation's needs and opportunities stretching over this decade.

Before we go into all that, however, we ought to address ourselves to certain imponderables in the pursuit by a people of their aspirations or interests—those elements of national character or qualities in the leadership of a country, of which there should be no grievous shortage if those other shortages—of wheat or rice, water or electricity, steel, fertilizer or cement, of any number of many other facilities or materials which power or feed the processes of development—are to be dealt with or mastered. We must not be afraid to talk, then, of the need for probity or sincerity of purpose in the men and women who are leaders in our public life, politics or administration and on whom rests great responsibility for ensuring that

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the country is governed cleanly and well; of the need for integrity in those who are leaders in business, management, trade unionism, science or the professions; or, of the need for the right kind of patriotism in the leaders of civic life in cities and towns, village panchayats, or religious, artistic or student communities. Nor should we hesitate to express the need for patience, discipline and hard work on the part of all of us across the land, in farm, factory or office room. A nation moves only so far or so fast as the great body of its men and women is willing to move it. Lest, however, this part of the discussion becomes mere moralizing, let us view these qualities of national, group or individual character in terms of their bearing on the development process and their implications for the many tasks of leadership, organization or execution involved in the nation taking on the SEVENTIES along with the SHORTAGES.

Leadership : politics, public life

ANY COUNTRY, anywhere, any time, which attempts to do something, would succeed, in the ultimate analysis, only through the dedication, discipline and the massed energy and effort of its people down to their last man or woman. Leadership, nevertheless, is important and, often, supremely relevant. The quality of its leadership selects the means and sets the course for a nation on the march. This is true of all political systems or forms of government, including, emphatically, the parliamentary democratic.

Jawaharlal Nehru, prophet, priest and king for the first 17 long years of India, independent, was the primary source of all the effective leadership that this country got in its politics, government or public life for a period even longer than this. The shade of the banyan tree lingered after the wood itself had turned to ashes and been interred in the green of Shanti Vana. Lal Bahadur Shastri's was a limited succession—limited severely to the prime ministership and, even there, he had hardly struggled out of the shade of the banyan tree before death claimed him at Tashkent, less than two years after Nehru had passed away.

Indira Gandhi, as she came out of the Central Hall on that sunny day late in a Delhi winter, immediately after the Congress party in Parliament had elected her as its leader after a contest, looked proud and pleased, but also vulnerable as a girl on her way to catch the school bus for the first time. No wonder the then ubiquitous Vijaya Lakshmi Pandit claimed her niece's victory over Morarji Desai as a triumph for "we Nehrus".

That, however, was a triumph without trumpets. Noises, true enough, were aplenty, both on stage and off. The devaluation of the rupee, the inauguration of Punjab and Haryana as two separate states, a new agricultural strategy, the fourth general elections for the Lok Subha and the state assemblies, a series of diplomatic sparrings with Peking, President's Rule in West Bengal, these were some of the newsmaking events of 1966-68, but through it all the prime minister herself had maintained a low profile, her vigorous campaigning across the country at the general elections notwithstanding. Indira Gandhi, in this period, was very much of a *primus interpares*, even to the extent of encouraging a fanciful feeling in Morarji Desai, who had entered the cabinet as deputy prime minister after the fourth general election, that the prefix "deputy" in his designation was merely a concession he had made to chivalry.

Viewed in this light, the people of this country seemed like millions and millions of blind men of Hindustan who were groping for an elephant to educate themselves on, but had not been able to find one. This was a strange experience for a nation which, for so many years had had that man Nehru to advise or admonish it and, above all, act for it. The Congress party itself had found its hegemony over the Indian polity shattered by the fourth general elections. The Lok Sabha had become vocal with the unfamiliar voices of assertive and demanding dissent or opposition and, in most state capitals, the kaleidoscope-changes in the political complexions or compositions of ministries strikingly signified the passing of the old order without the emergence of any coherent new pattern of party politics.

Then came the series of political developments centred in the internal conflicts of the Congress party itself. The events preceding and following the 'great split' —the Prime Minister's ten-point programe for a socialist reorientation of economic policy, the nationalization of banks, the resignation of Morarji Desai from the central cabinet, the Giri-Reddy contest for the office of President, the 'famous' conscience vote and the confirmation of Indira Gandhi as the undisputed leader of her party—raised and spectacularly settled, for the time being at any rate, the basic issue of an effecti return of leadership in the politics a the government of the country. Alm overnight the prime minister becam *unus interpares* and, not surprising the 'stalwarts' standing close to her the new hierarchy seemed to realize th sooner than their party generally did a much sooner than the country as a whol woke up to the fact. The message spre from the national to the state capital but the political antennae of other politi cians or political parties were not alwa sufficiently sensitive and this was main the reason why they failed to perceive time that the basic political situation h changed with the emergence in authori of a confident national leader willing an able to assert her claim to possess th barren ground that had existed in th politics, government and public life of th country ever since the banyan tree fell.

The way the ruling party was rallie by its leader or the manner in which th electorate, in turn, rallied round her in th general election for the Lok Sabha hel early in 1971 came as a surprise to a those—and their number was great who had not been able to sense a nationa hunger for leadership. It is becoming part of conventional wisdom that, whe the people voted in such numbers fo Indira Gandhi or her candidates, the were thinking of her promise to satisf that other hunger, the hunger of th empty bellies of the poor. This readin must be disputed. The 'garibi hatao' slogan no more pulled that election trick for her than a street-corner magician's abracadabra could be credited with bring ing the dead back to life. 'Poverty' as an issue in this election, had no rea existence.

While it is a fact that man is a politic animal, he remains a most wayward beas despite all the years of Gallup or othe public opinion polls. Nevertheless it coul safely be suggested that Indira Gandh would have won that election even with out the benefit of the 'garibi hatao' sloga This may be hindsight, but it has th virtue of being a lesson learnt from experience—and wisdom of this kind is clear very useful for the future. The moral 1971, I repeat, was and is that this coun try genuinely needs and desires leadersh in its politics, government and public l and that its people will look for it every opportunity that comes their w to elect a party or a politician. In th general elections to the Lok Sabha a the state assemblies in 1967, they attem ted to find or even invent a new patte of leadership in succession to that whi Nehru had given them since his pa seemed no longer able to shoulder t

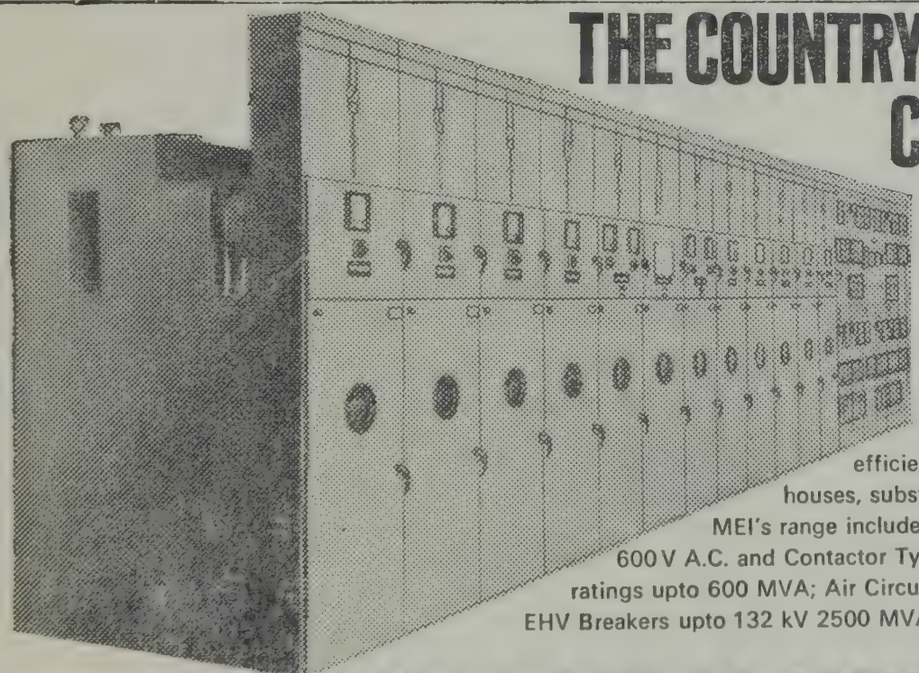
responsibility, at least all by itself. They fumbled it, or, rather, the politicians did not play the game.

In 1971, the signs were clear. Indira Gandhi was there, eager and willing, all set to solve their leadership problem for them. They certainly did not expect her to abolish poverty from the land between one general election and the next. But they did want a leader who would give shape to their country's politics, find work for their government to do and impart direction to their public life. It was this substance or promise of substance that mattered, not that particular slogan. Four years earlier they had thrashed the Congress party of those days at the hustings, because they had wearied of its stale and all-too-familiar presence and could not put up with its bad breath any more. When voting time came around once again, they found that there was a new Congress led by one who seemed to know her mind in most things. They felt she could lead them too. The Nehru name helped, no doubt. So did the fact that she was a woman—it mattered, perhaps, rather more. The slogan weighted in least.

Early in 1972, when Indira Gandhi once again went to the electorate, this time in a general election for several state assemblies, the voters had more to go by than a promise of leadership. The leadership itself was almost all there, vindicated brilliantly by the way she had masterminded the diplomatic, political and military confrontation with Pakistan. She had pledged her word a few months earlier that the ten million refugees would be returning home by the end of 1971 and back they were able to go in almost total compliance with that rash time-table. Pakistan had been pushed out on the eastern front and beaten back on the western. Out of that military collapse of a hostile neighbour India's prime minister had helped to salvage a new and hopefully friendly state to our east and reorganize in strength our defences on the west against an erstwhile enemy whose own political and military potential for possible aggression at some future date had been sharply reduced. The cumulative impact on the nation's psyche of these developments was far greater than the mere sum of the impressions they might have individually made. For the first time, since independence, India could breathe freely in a sub-continent where it so often had had occasion to feel that it was a prisoner to some extent of irrelevant and possibly extraneous forces, which would not even let it be master in its own house.

The Congress party's successes at the 1972 general election for state legislatures, then, were a tribute paid by the people to a leader whose leadership had been tested and proved in a national crisis. Once again the 'garibi hatao' slogan was very much beside the point. The nation got its cue from quite somewhere else.

It is important that public opinion in this country should realize the implications of this clearly. The various political



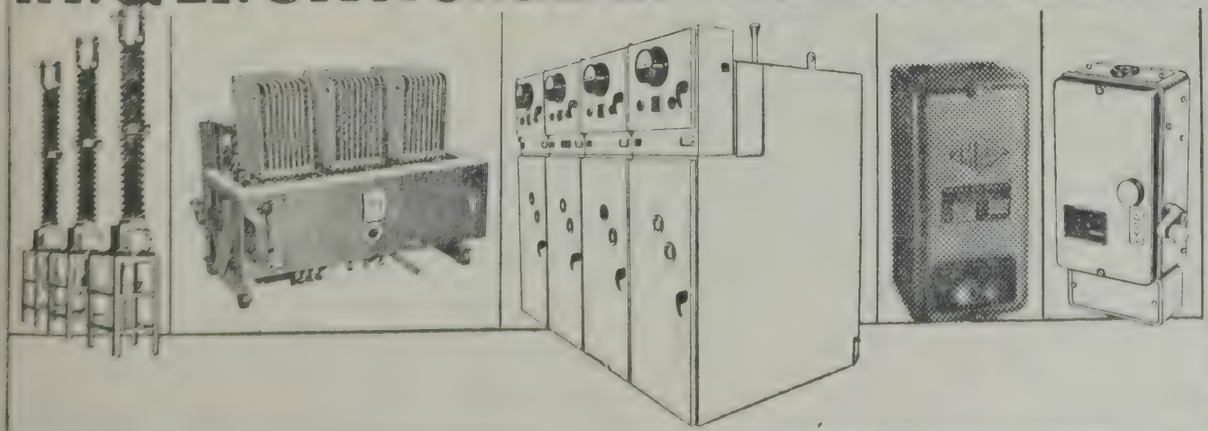
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parties and their leaders or spokesmen have their respective reasons for arguing that the meaning of the general election verdicts was different, that the issue was not leadership, but 'garibi hatao'. It suits the prime minister and her party to contend that these verdicts are massive mandates to her from the people of this country to pursue or persist in economic policies or measures claimed to be directed against mass poverty. It suits her political opponents or critics to hold her to this position, ask her periodically what she has been doing to abolish poverty and twit her with exploiting the 'mandate' for her political gain instead of sincerely attempting to carry it out. It suits them all to argue that the people having declared themselves to be for 'garibi hatao', there will be political and social instability or, perhaps, even a bloody revolution if steps are not taken to put an end to mass poverty. All of them fiercely disagree among themselves, of course, on what exactly should be done about poverty or its abolition.

Thus a serious issue of economic development is becoming highly politicalized. Its nature and problems are being distorted in various ways, with the result that the purposes and processes of planning are becoming hopelessly confused. Unless this dishonest game is stopped straightaway, the country is bound to lose precious time and waste its scarce resources in nursing a make-believe from which only its politicians or political parties stand to reap some short-term advantages. Let me repeat, then, that the people have declared themselves to be for Indira Gandhi and her party in two general elections in two years simply because they have accepted her as the person most likely in the present circumstances to be able to give the country the leadership it needs over the coming years in its politics, government and public life, not because they have been swept off their feet by a cynical slogan.

This casts, quite clearly, a very definite responsibility on the prime minister. She must not play the people false. She must give them the kind of leadership they seek in her because it is in their expectation of it that they have placed her in a position of great authority over their national affairs. There ought not to be any shortage of *this* leadership in the seventies.

Nevertheless the possibility of this shortage does threaten us and may become an accomplished and ugly reality should the prime minister fail to heed the danger signals in time. Having led the country magnificently in war, she should now lead it on to its tasks of economic development with the same clarity of vision, single-mindedness of purpose and a fine sense of economy of effort and resources in realizing carefully identified and realistically conceived objectives. She cannot expect a slogan to do the job for her.

Needed : government, good and clean

WHEREVER leadership may fall short, it should not falter or founder in its primary responsibility to provide good and clean government to the people. As the business of living becomes more and more complex and makes increasing demands on social processes and institutions, the state's role naturally gets endlessly elaborated and involved. Nevertheless its first and basic duty remains what it must always be: to govern well and wisely.

Good and clean government, however, does not mean the mere maintenance of law and order or the dispensing of organized justice through the law and the courts or allied institutions. The people's peace is a vital condition of civilized living in national communities. So is the rule of law. But they do not, in themselves, contain all the contents of good and clean government. The welfare of the people in its broadest sense is also a compelling charge on the state; and the government of the day ought to do everything in its power to help the community to work for this welfare to the advantage of all its citizens.

This necessarily commits the state to an exercise of its authority over the citizens or their voluntary associations for a large number of purposes. The machinery and functions of the government therefore have to be extended to cover or impinge on many areas of the community's affairs or activities. Nobody can or need protest against any of this, but even as the government takes on more and more responsibilities, it must also show increasing concern about its priorities.

This means, above all, that the government should be able to inspire and retain the trust of the people in the integrity of its leadership and the honesty of its administrative machinery. To say this is not to enter an idealistic plea for an entirely incorruptible government or the public services. It is after all a fact of life that there has always been a certain amount of corruption or graft among politicians or public servants. Society has to learn to live with this just as with certain other social ills because human nature, after all, is human nature which has its weaknesses. But, if society is to remain reasonably healthy, it has to keep these plagues under some control and, more important still, should not permit them undue scope or play. With the state becoming more and more involved in the life and affairs of the community, particularly in the economic sphere, it has become so much more important that the leadership in government should consciously try to counter the growth of corruption in politics or the administration.

Unfortunately the prime minister and her party is at a disadvantage here. The way in which the 'great split' in the old Congress party was planned, organized or carried out has destroyed certain important values in our public life. The feeling has gained ground that all is fair in politics and that, since the political game is in any case a dirty one, there is probably no great harm in playing it dirtier still. In the days of the freedom struggle, the Congress had built up an image for itself as a national organization led by selfless people bound not only by a common political purpose but by reciprocated trust and respect. Although the pristine purity of this conception had been somewhat sullied during this party's long years in office after independence, the brutal manner in which the power struggle was fought within its leadership in 1969 shocked the people into seeing for themselves how raw, how red in tooth and claw, politics could be when the name of the game was power.

It is true that Indira Gandhi's qualities of courage, determination and purposiveness were shown to better purpose and seen in a better light subsequently—and particularly during the Bangladesh struggle—but serious harm had already been done to our political ethos. Opportunism became the watchword of politicians. The bandwagon became the most popular means of transport. Discipline promptly went under discount in the functioning of political parties. Legislatures became market places where the stock-in-trade was party or even personal loyalties. Morals and manners in politics, government and public life suffered in those hectic months of 1969—when even the office of the President of the Republic had become the small coin of political horse-trading; a blow from which they have not recovered at all.

The temptations and, to some extent, the compulsions of the two general

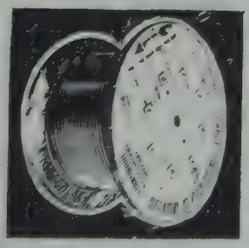
Irrigation and power form the basis of the agricultural and industrial development of our country... There is also no doubt that electricity will always be a basic element in any formula for progress

—Prime Minister **INDIRA GANDHI**

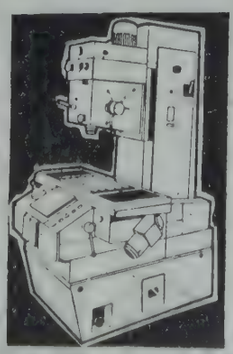
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elections did nothing to improve matters in this respect. On the contrary they encouraged a further deterioration in the norms of conduct in public life or the canons of clean government. Political bosses, ministers and high officials acting for ministers seemed to have constituted themselves into numerous fund-collecting agencies across the length and breadth of the country, systematically placing under a levy not only individual businessmen of any substance but whole industries. That some of the money thus gathered or commandeered somehow found its way into private pockets on its trek to party chests was perhaps to be expected and, in any case, it only underlined the gross venality of the entire transaction. The general elections of 1970 and 1971 were indeed expensive business—far more expensive surely than was shown in the budget of the Election Commission or the expense statements of individual candidates. To India, democracy is not only precious; it has been quite costly as well.

Lest I be misunderstood, I would make it clear that I do not lay the entire blame for this sad state of public or political morality, if not immorality, on the prime minister or her party. The evil I am complaining of has been far more pervasive. But it cannot be doubted at all that the way in which she, her associates and counsellors planned, organized and put through the power struggle within the old Congress party in 1969 was gravely and greatly responsible for invigorating and even making 'respectable' certain unhealthy trends in the politics of the nation of persons, holding public office or wielding political influence, abusing their positions for collecting funds for their parties or amassing wealth for themselves.

It is of course difficult to exaggerate the extent to which the public interest has been hurt by this development. Even in earlier times it had not been easy for public opinion or public criticism to assert itself against wrong doing, actual or suspected, in high places. Only on rare occasions, such as the Chagla inquiry into the Mundhra affair, could New Delhi be forced to sit up and take notice with some degree of promptness. Otherwise, even in the days of Nehru, the tendency of the Congress High Command had been to sweep the dust under the carpet wherever it was at all possible to do so. Complaints against individual ministers or, sometimes, against entire state ministries—complaints relating to the abuse of power or office for personal or family gain—were treated as if they lay entirely within the private jurisdiction of the Congress party and had no public interest aspect whatsoever. This approach was all the more unfair and unreasonable in the light of the fact that, in almost every case of the conduct of a politician in power being finally brought under judicial or semi-judicial scrutiny—whether as in the case of Pratap Singh Kairon, Bakshi Ghulam Mohammed, K.D. Malaviya or assorted ministers or ex-ministers in Orissa or Bihar—the investigating or judging authority always found cause for strictures or worse.

Since the 'great split' in the old Congress party, the position has become even more unsatisfactory. Right now, in Haryana, the chief minister has come under a heavy barrage of allegations and accusations, the complainants being his own partymen as well as politicians from other parties. The chief minister and some ministers in Karnataka are also facing fierce questioning of the propriety of their conduct in office. In Himachal Pradesh, the chief minister has lately been seen to command less than the complete trust or respect of his partymen. Rather more spectacularly, a 'cleansing' campaign is being carried on in Tamil Nadu, this time against a ministry of a party other than that of the prime minister and, particularly, the chief minister concerned who is now plainly on the defensive. What is really disturbing but not surprising in all this is that the prime minister seems unable or unwilling to act to reassure public opinion in any of these cases.

Again, an idea of to what extent public opinion has been persuaded to suspect the very worst where its rulers are concerned may be gathered from the reaction in Parliament or outside to such episodes as the 'rag scandal' or the 'maruti car project'. In the former case, there seems to be a widely-held belief that politicians or ministers in Punjab and at the centre have been privy to certain businessmen, who have been given licences for the import of woollen rags to be processed and fabricated into inexpensive blankets, making illegitimate use of those licences to import second-hand, but serviceable woollen garments for sale in that state. The allegation here is that some of the monetary gains of this shady transaction have been passed on to the politicians concerned as the *quid* for their helpful *quo*.

As for the 'maruti' project, the mere fact that a son of the prime minister has sponsored it appears to have alerted the entire nation to the possibility that this industrial venture may have received or will be receiving undue favours or patronage from the central ministries concerned, the government of Haryana (the state where the plant is located), or the public financial institutions or individual businessmen who have participated in the equity of the company or the funding of its operations.

The issue I am raising here is not an academic one, a matter of abstract morality. It has, quite clearly, certain practical implications for good and clean government and therefore for the ability of the state to lead the country in its development efforts and processes. Because the people have reason (or, believe that they have) to think that integrity in politics or government is at a discount, the atmosphere of day-to-day administration itself has become vitiated. It has come to be taken for granted that decisions could be obtained or at least expedited at a price in the ministries or departments of the central or state governments. To what extent this impression is warranted by the facts is open to dispute, no doubt; but there is no gainsaying the fact that the very feeling in the country that there is laxity of conduct at the higher levels of government has come to be regarded as some kind of a sanction for corruption, petty or otherwise, at the lower levels of administration.

How this could and does affect in a very serious fashion some of the vital forces of development may be illustrated by specific references. Let us take, for instance, the two 'shortages' which are extremely relevant to the challenge of the seventies, *viz.*, electricity and irrigation. It is an open secret that electricity is being 'stolen' on an extensive scale, not only by tube-well farmers, but also industrial establishments, big or small. It is being said that even 'line inspectors' are able to supplement their monthly salaries in the neighourhood of a couple of hundred rupees with another couple of hundred rupees or more in bribes obtained from power thieves. Similarly, in the case of irrigation, there has been large-scale cheating of the government by its own officials, conspiring with or conniving at farmers claiming subsidies on wells which have in fact not been dug.

In this way, a good deal of the power famine or the water famine in the country is directly attributable to corruption in the administration. Because the state electricity boards are defrauded of their revenues, their financial capacity for developing generation or transmission facilities is weakened to that extent, while, in times of electricity cuts or rationing, the dishonest consumer is able to make nonsense of any attempt at the ordering of priorities or the enforcement of equality of sacrifice. As for wells which have not been dug but for which subsidies have nevertheless been claimed and paid

out of public funds, it is obvious that the countryside is being systematically deprived of the insurance against drought which must legitimately be its. It would be academic, surely, to discuss power, water or other shortages entirely in terms of investment or even management and without taking into account the vital bearing which good and clean government undoubtedly has on these problems.

It must be the first concern, then, of the prime minister to organize an effort to de-pollute politics and public life and disinfect government and administration. Provided she makes a sincere start in this direction, gears her party to this purpose and sets out to lead the nation on the right lines, the business community, more than any other section of the people, owes it to the country to comply and co-operate. This is for the simple reason that businessmen, big or small, have, as a class, if not individually in every case, built up a large interest in the politics of corruption or government by bribery. It is among the saddest developments in India, independent, that a genuine philosophy of private enterprise or a concept of free enterprise as an element in the life-force of a democratic community has never had a chance of becoming an effective factor in public affairs. For this leaders and organizations of the business community must bear substantial responsibility. Out of short-sightedness or simple—that is, gross—selfishness, they had been making so many compromises so frequently and over such a long time with political attitudes they knew to be wrong that they had lost credibility with the public or real influence—apart from personal equations of a more or less dubious kind—with the panjandrums of political power much before Indira Gandhi arrived on the scene as an all-powerful prime minister.

One of my more painful recollections, in this context would relate to the fuss or furore that was made over a forthright statement of his robust free-enterprise point of view which S.L. Kirloskar, in his presidential address to an annual session of the Federation of Indian Chambers of Commerce and Industry, had dared to make in the formidable presence of Jawaharlal Nehru on the rostrum. The trouble is that the business community has been trying to match the politicians' double talk with its own double think. It seems to have persuaded itself that, although political pressures or government policies may be remorselessly working for an attenuation of the institutions of free enterprise, it is still possible to cultivate its own narrow interests indefinitely by buying up politicians or bribing officials. A letter of intent, in other words, has come to be all that matters.

No wonder the Federation of Indian Chambers of Commerce and Industry, not to speak of lesser organizations of the business community, has been reduced to the position of an uneasy and largely ineffective go-between for the business community in its relations with the government or, rather, the prime minister of the day. Week after week, if not day after day, these trade associations issue statements or pass resolutions making ceremonial, if not sanctimonious declarations of allegiance to the politically motivated propositions of ministers or lavishing lip-sympathy on government measures which they cannot possibly approve of—all as a prelude, more often than not, to some minor, if not petty bargaining on budget proposals or the finer points of industrial or import licensing.

Quite a few business houses or business leaders, who have done so much to promote the industrialization of this country both before and after independence, have naturally been most unhappy about this situation. Some of them have begun to wonder whether there is at all any scope left for the constructive

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application of their experience and talents to their nation's economic growth in the interest of its people. Others seem to be feverishly searching for desperate remedies.

In an attempt, perhaps, to come to terms with the government's animus against big business, Mr J.R.D. Tata, for instance, has been pleading that New Delhi should allow honest businessmen to expand, while discouraging or deterring the further growth of firms or business houses which may have been guilty of anti-social practices. Although this proposition sounds reasonable or even virtuous, its implications are clearly far less innocent. The notion that minister-politicians or their bureaucratic henchmen should be empowered to exercise some kind of a moral censorship over businessmen, over and above the latter's accountability to laws and the courts, is clearly unacceptable to any democratic community. In any case, as I had argued earlier, much of the evil of corruption in our polity or economic affairs is due to a decline in our politics, government and public life. In the circumstances, to arm the administration with the powers of a Holy Inquisition in dealing with the business community would be to invite further unprincipled authoritarianism in government and encourage even more opportunism and demoralization among businessmen.

Where stands the press in all this? There has been a good deal of talk of the big newspapers being tied to the business interests of their industrialist-proprietors and therefore forced to function as the mouth-piece of sectional, industrial or commercial interests or even propagate the political views of those interests. There have lately been certain revealing incidents which have shown that the threat to the freedom of the press is basically of a different nature and of a different origin. Readers of this journal know already how the chief minister of West Bengal recently tried to twist the arms of *The Hindustan Times*, New Delhi, by holding out threats against the business interests of its owners. They also know how *The Hindu* of Madras refrained for weeks from commenting editorially on a political campaign in Tamil Nadu against alleged corruption in the state government and the functioning of the ruling DMK which, incidentally, has been notorious for its strong-arm methods against critical newspapers or periodicals. The danger to press freedom arises mainly in the demand for conformity which political parties or politicians in power consider their right to make and here again the root cause of the evil is the decline in standards in politics, government and public life. A nation thus handicapped just cannot give of its best to a development process which must come to grips with the shortages threatening the seventies and the nation has a right to expect that, whatever might have been the laxity or the lapses in the record of the ruling party or the government at the centre, the prime minister now ought to exercise her leadership to remedy the shortage of 'character' in politics and government.

Wanted : sincerity, seriousness and sense

It is an axiom of statecraft that no ruler may hope to fool all the people all the time. Unfortunately, this otherwise estimable proposition lends itself to an inference that it is perhaps not impossible for a government to fool most of the governed most of the time. Politicians almost everywhere have naturally been quite prompt to draw encouragement from this reassuring interpretation. India's rulers have been no exception to this rule.

In the days of the freedom struggle, when public service did not mean merely publicity but, on the other hand, often involved personal sacrifices of one kind or other, the politicians who made up that great national organization, the Congress of Gandhi, did believe, by and large, that independence for their country would have no real meaning for its people unless it was followed by a grand partnership of the state and the citizen dedicated to an enlightened pursuit of the true welfare of the ordinary men and women of the land. It is possible that many Indian young men or women, now in their late twenties or early thirties, have been led to believe that *garibi hatao* (abolish poverty) was invented in the inspired hour of the 'great split' of 1969 in the Congress party. The facts, however, are different. Gandhi, from the start, was clear in his own mind—and he made it clear to the nation as well—that the freedom struggle was committed as much to the rescue of the poor from their poverty—the service of *Daridra Narayan*, he called it—in an independent India as to the ousting of British rule in order that India might become independent.

Today more people, undoubtedly, are shouting more noisily, certainly, about abolishing poverty. But where there was much sincerity, we are now being asked to make do with a slogan. Two general elections are supposed to have been fought and won by the prime minister's party on the issue of mass poverty and it is also claimed that she has been given a massive mandate to put through an anti-poverty programme which she is alleged to have at her finger-tips. Three full years, however, have come and gone without Mrs Gandhi, her government or her party making any meaningful start in the direction of relieving, let alone abolishing, mass poverty.

Fourteen commercial banks have been nationalized, no doubt. This may have helped to put some money into the pockets of some poor people, but it has also put a lot more money into the pockets of many rather rich people. As an exercise in mobilising national savings for public purposes or harnessing the facilities of modern banking to the service of what have been described as the priority sectors of the economy, the nationalization of the leading commercial banks which was effected in 1969 is, to put it mildly, still very much on trial. There is no clear evidence yet that the gains of the small men in agriculture, industry or trade in terms of access to bank credit on easy terms have been much more than marginal, but there is already enough ground to fear that, in the event of any rationing of bank credit becoming necessary at any time, organized industry or commerce, because of its political vulnerability, will have to put up with a disproportionate squeeze on the credit facilities available to it. Meanwhile, the quality of banking services has been declining in direct proportion to the increase that is taking place in banking costs. Nevertheless, the vested interests in politics and government do not—and will not—admit that bank nationalization had been, basically, a political move intended to bring political dividends to the prime minister's group in an intra-party power struggle.

Take, again, the case of land ceilings. Once again political considerations have called the tune. At a time when the positive aspects and demands of the green revolution should be claiming the attention of the government and the farming community, a whole warren of diversionary hares has been started. Whereas, in an earlier age, ryotwari peasant agriculture, wherever aided by irrigation, was more progressive and productive than cultivation of land on zamindari or other feudal tenures, the present position is that agriculture has become more paying to the individual farmer as well as profitable to the country as a whole wherever it is carried on by agriculturists with reason-

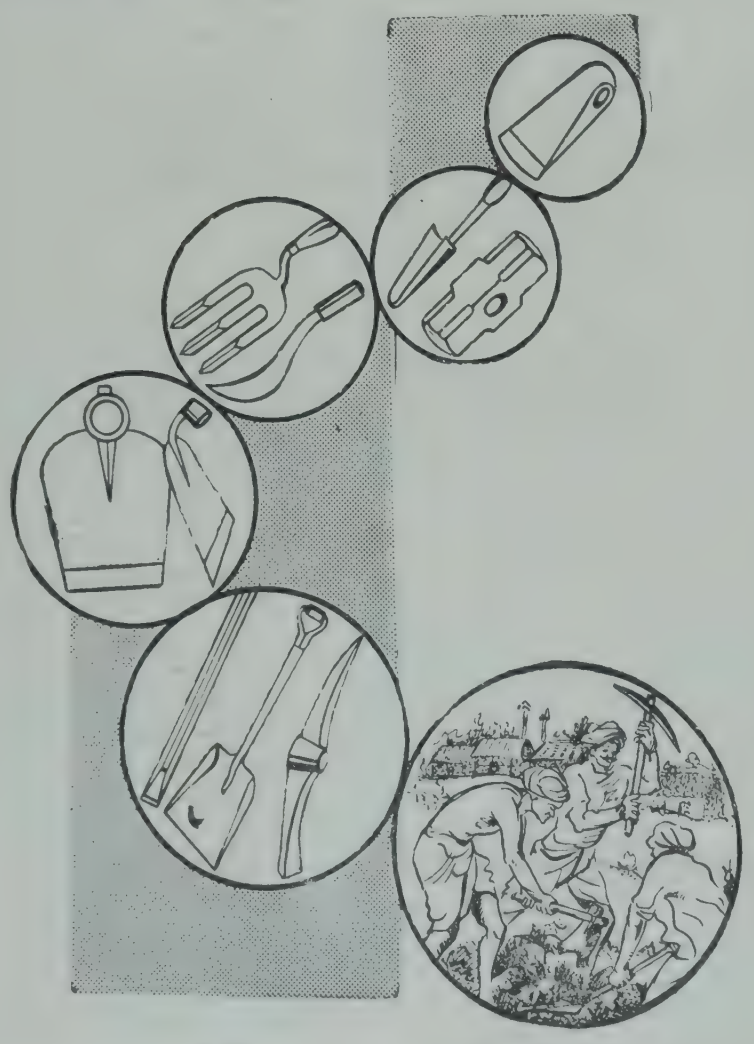
bly large holdings and some access to apital and improved farming equipment. The success of the green revolution, in act, has been dependent very much on progressive farmers with more or less ubstantial holdings and the means to ultivate them properly on a commercial basis. The policy of land ceilings is bound o frustrate this healthy process.

This, however, has not prevented the politicians in power from an insincere presentation of land ceilings as a body-blow dealt at rural poverty. It is of course no such thing if only because there is no respectable evidence that ceilings could improve the capacity or potential of a given bit of land to offer more employment or yield more produce. On the contrary, there is warrant for the fear that, land ceilings may, on balance, discourage the application of capital and technology to the intensive cultivation of land. Already reports are coming from the *Tarai* region of Uttar Pradesh that sales of tractors or other modern agricultural implements are falling off. There is no guarantee whatsoever that this is only an initial reaction or a temporary setback.

If the government were really sincere about relieving rural poverty, it would have got involved less in the politics of ceilings than in large-scale dry-farming projects in the rain-fed sectors of our agriculture. Right now about 20 million villagers in Maharashtra are finding that they have lost their livelihood because their annual gamble in the monsoons had failed to come off for the third year in succession. This is generation of brand new mass poverty on a truly massive scale.

It is important to note that our anti-poverty campaigners cannot plead that they have been taken by surprise. Not only this year, but a year earlier and in the year before that as well drought had been visiting the Deccan. But neither the super-duper political gods in New Delhi nor their *pujaris* in Bombay would recognize any relevance in this to the promises implicit in their election pledge to eradicate poverty. No wonder the mere rank-and-file had things more interesting to do at their annual party conclave in 'Bidhannagar' than attend the session when the drought situation in Maharashtra come up for discussion. In any case, where water resources for agriculture are extremely precarious, as they unfortunately are in many parts of the country, land by itself is often not much of an asset. Redistributing it could therefore become supremely irrelevant to the central problem of the people in such areas acquiring viable means of livelihood from one year to another. In any just scheme of economic priorities the intensive promotion of dry-farming techniques along with water conservation or exploration of sub-soil water supply and the building up of opportunities for non-agricultural employment, should certainly rank high. The pattern of political priorities, apparently, could be something else.

From sincerity or, rather, the lack of it, let us turn to seriousness or, the want of it. There were days when Mrs Gandhi needed or, thought she did, the support or collaboration of more or less power politicians or political forces in the various states for strengthening her position in her party after the 'great split' or the position of her government in Parliament. One fine morning or, whatever the time of the day it was, the prime minister announced with great abandon that Andhra Pradesh, Tamil Nadu and Mysore state (as it was known then) could all have the steel plants, one each, on which they seemed to have set their fond hearts. If the government or the people of Kerala felt left out, they had only themselves to blame, for, although they had been agitating for different things at different times, they



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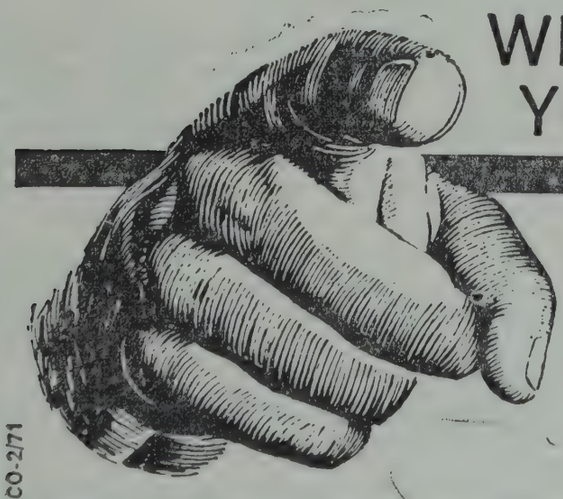
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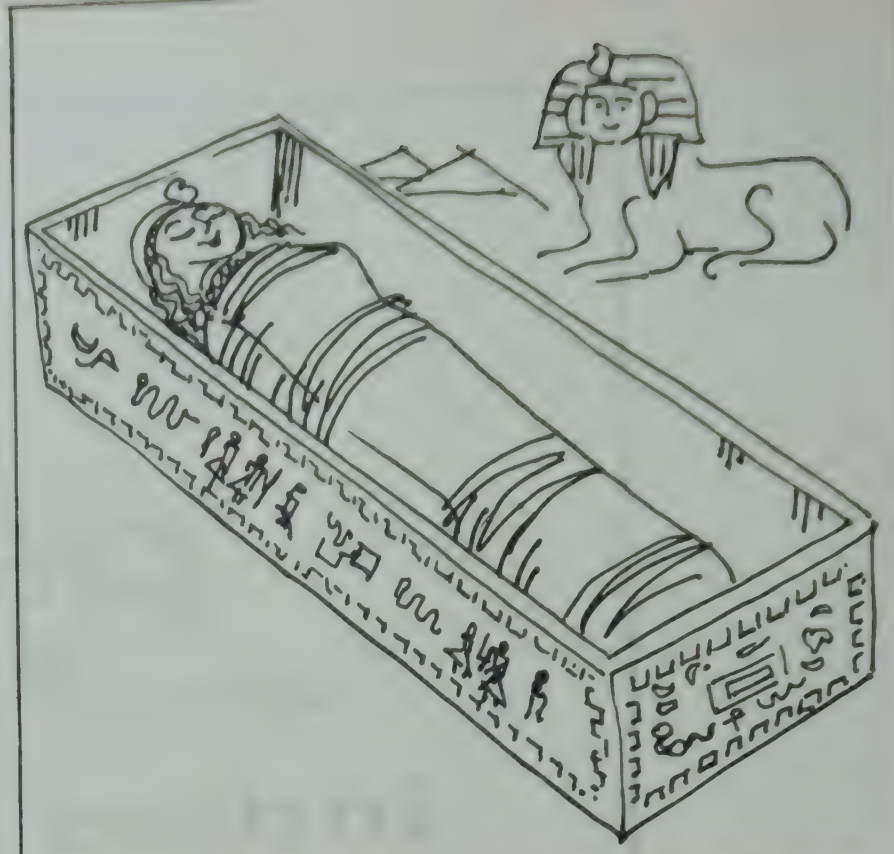


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had been somehow remiss in agitating or agitating sufficiently vigorously for a steel plant.

In an article captioned 'The Case of the Tamil-speaking Ore', which I had contributed to *The Hindustan Times* at the time, I was rash enough to raise the question whether it was permissible economics to propose to site a steel plant in Salem on the basis of lignite which is supposed to be available in Neyveli but is not and a quality of iron ore in or nearabout Salem which is admittedly inferior raw material for steel-making, while much superior grades of ore, mined in other parts of the country, were being shipped to Japan to feed the steel industry there. I was rewarded for my pains with a "Letter to the Editor" from the extremely alliterative Mr Murasoli Maran, Member of Lok Sabha from Tamil Nadu and a dear nephew as well as close lieutenant of the chief minister of that state, who, not content with flinging Dr Dastur's technical opinion in my face, demanded to know how a respectable newspaper such as *The Hindustan Times* could allow a mere columnist to question the Salem steel project when it (i.e., the newspaper) had itself editorially welcomed the prime minister's announcement.

Mr Murasoli Maran, as if to emphasise his enviable versatility, is also the editor of an evening newspaper in Tamil and his views on how a newspaper should be run were therefore quite revealing. This, however, is by the way. What is more to our present purpose is that, besides Dr Dastur having to perform subsequently a series of contortionist's twists and turns in suiting the process or the product pattern of the Salem scheme to the raw material, Neyveli is running out of lignite even for its primary purpose of fuelling its own power-generating complex.

The prime minister, perhaps, could not have been expected to be aware of these or other technical complications when she decided that it would be prudent to let Mr Karunanidhi have his steel plant so that the DMK contingent in the Lok Sabha might feel properly grateful to her government at a time when the 1970 general election which was to give her that celebrated massive mandate was still in the future. But that her colleagues or advisers in the Planning Commission or the Steel ministry should have been privy to the government playing fast and loose with the grave business of steel planning was proof enough of the lack of seriousness in the government's vaunted commitment to purposive development.

Meanwhile the main business of steel production or development in the nation has been going by default. A perceptive observer of the public sector in steel told me recently that the labour difficulties in Durgapur was being played up in the same way as the labour trouble in Neyveli was being played down. The point he was making was that, while it did not suit the DMK, which was involved in the labour situation in Neyveli, to have too much light thrown on the state of affairs there, it seemed to be very much to the advantage of the management in the Durgapur steel plant to divert attention from its own lapses or deficiencies by harping on the organized indiscipline which its workers and their unions were undoubtedly practising. That management is the central issue in public sector steel is not to be challenged at all, especially after the government had taken over the Indian Iron and Steel Co., Ltd, from the private sector. The collapse of the roof of the steel melting shop at the Rourkela plant last year had earlier given enough proof that even routine operation or maintenance left much to be desired.

The country has been forced to spend Rs 200 crores in scarce foreign exchange on the import of steel this year simply because, the year before, the plants in the public sector, taken together, could produce only up to 50 per cent of their aggregate capacity. The price which the country has paid or is paying for this mismanagement on the part of the government is, however, even more than is to be reckoned in terms of the import bill. The steel shortage which has been forced on the country, apart from affecting export production, particularly in the engineering industries, has been about the most significant factor in creating underutilization of capacity in a whole range of industries, both large-scale and small-scale and under-employment of manpower in the industrial sector. It would also be true to say that the chronic malfunctioning of the public sector in steel over the years has been contributing very considerably to the inability of the economy to generate new employment opportunities as fast as it ought to be doing.

In these circumstances the government naturally has had to do something about its steel plants and there has lately been a flurry of activity in this area, There has also been some recovery in production from the trough of its depression, but only time will show how far this improvement will progress or persist. Meanwhile even the ills of the ailing state steel plants are being exploited for the greater glory of minister-politicians. It has been a familiar feature of the public sector in steel that every or at least every other minister, who had held the relevant portfolio in the past had his own pet scheme of administrative or institutional reorganization to propose or push through. This, however, has not prevented the present minister, Mr Mohan Kumaramangalam, from going ahead with his own nostrum, viz, a holding company for the steel plants, along with the allied 'input' industries such as coking coal. Mr Kumaramangalam has been waxing eloquent over his brain child, SAIL (Steel Authority of India Ltd), replacing, the 'bureaucratic culture' in public sector industries by an 'industrial culture' purified of its private sector associations by the sprinkling of the holy water of radical socialism invented by or for the prime minister's party. One short question, however, has not been answered by him: In what way does or would this holding company differ from the Railway Board except that it sports the suffix 'Ltd', which a former Auditor-General of India had described as a fraud on the Companies Act when used for a government undertaking whose single shareholder is the President of India.

Apart from anything else, a holding company, linked to the individual state steel plants by a chain of command which must still pass through the loop of an intermediary, The Hindustan Steel Limited, cannot be everyone's idea of a rational re-structuring of the organization of the public sector steel industry, especially when the next phase of steel development after Bokaro must at least be a plan to double steel capacity in the subsequent decade. Now that Mr Kumaramangalam has got his SAIL, he ought to become reasonably serious about catching up with the country's accumulated arrears of growth in steel.

Take, also, the case of oil, the important thing about which is no longer its politics but its geo-politics. Granted that there would be spectacular development of the North Sea potential or that the United States is bound to intensify the exploitation of its domestic oil wealth, West Asia and to a less extent North Africa, would still remain the main sources of oil for the major oil-consuming countries of the world. In this global context the question whether the existing refineries of the international oil companies are allowed to expand or not, or whether the government should take them over or not, would seem to belong to the order of smalls. The central fact is that, in the normal course, whatever further success this country may have in locating domestic reserves, it would continue to be a net importer of oil, its dependence on foreign sources of supply being likely to grow from year to year. It is in its interest therefore that its government should take steps, in accordance with a long-

term plan, to establish access to, adequate and reliable sources of supply abroad on reasonable terms.

Historically the international oil companies had been dominating the world oil economy and it was therefore necessary for consuming countries to be vigilant in bargaining with them or take measures for securing a fair enough deal as regards prices or other terms. Today it is the oil-producing states or sheikhdoms of West Asia or North Africa which are dominating a sellers' market and trying to squeeze the best terms for their oil out of consumers, including the international oil companies. A certain community of interests is thus developing between the international oil companies and consuming countries. Major consumers such as the United States, Japan or countries of western Europe are in a position to negotiate directly with the oil-producing countries in a big way. Smaller countries are not so advantageously placed, but should nevertheless try to use such openings as they may have for deals of this kind. This country and its government have therefore acted wisely in attempting to establish links with Iran and Iraq. It is desirable that they should explore any further possibilities that may lie in this direction. Nevertheless, it would still remain true that, because India is not a significant importer of oil in the global context and is unlikely to become one, although its import bill may be heavy in relation to its foreign exchange resources, it is not in a position to bargain hard enough with oil producing countries especially as the world oil market becomes more and more tight. It would therefore be prudent for this country to be responsive to any indication which may be forthcoming from international oil companies that the latter are interested in developing constructive commercial relations with our oil economy on a long-term basis. Considering how the world oil picture is developing, this country has nothing to gain from but may lose considerably by any needless severing of its business links with the international oil companies which are likely to remain a considerable presence in world oil production and more so in world oil marketing for years to come.

Against this background, the lack of seriousness in the government's attitudes towards or dealings with the international oil companies cannot but be condemned. Granted that the refinery agreements need to be re-negotiated or even scrapped, does not the public have a right to expect that the government should move meaningfully in this matter instead of wasting national time in an endless game of hide-and-seek with these oil companies. If the argument is that the ministry of Petroleum and Chemicals is trying to wear out the companies, the answer must be that the ministry may find its credibility wearing out too. Already, as the process of non-negotiation drags on, the hard-liners in the ruling party and the snipers in assorted opposition parties of the left are busy confusing the issue with warnings to the government not to be 'soft' to the oil companies. Consequently, if the government were to continue to dither, there is every danger of the political pitch being queered for it and the initiative for meaningful negotiation passing out of the hands of its officials who, after all, will have to do the hard business of discussing with the oil companies the alphabet of any agreement.

In the area of transport, again, the government's perspective for the seventies seems to be lacking in seriousness. There is, in fact, a disturbing degree of complacency in such calculations as it may have attempted in this field. This is in spite of the fact that, in 1971, the railway system promptly showed evidence of strain when it had to cope with the movement of essential goods for the relief of the re-

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fugees from what was East Pakistan and, later, had to measure up to the transport needs of the short war with Pakistan. It is clear enough that the Railways are operating on a slender margin of reserve capacity and that even their normal operations are being held up here or there, now and then, by bottlenecks in route capacity or the availability of wagons. Even at present the situation regarding coal movements is far from happy, one of the consequences being the dislocation of coal supplies for thermal power stations across the land.

I was told recently by a high official of the Railway Board that, if there had been any failure in the matter of advance planning for adequate wagon capacity, it was mainly due to what he called 'the road transport lobby in Parliament'. His contention was that this lobby was so vocal and so strategically positioned that the Railways were virtually forced to surrender budgetary allocations for wagon procurement and sharply scaled down this programme. Assuming that there is some substance in this argument, the responsibility of the government as a whole for bad planning in transport would still remain. The clear corollary to the government conceding the demand of the road transport lobby in this case was that it should have gone ahead all the more energetically with an extensive road transport development programme. Not only has the government not done this but it has done very little also to remove any of the recognized road blocks to an even routine rate of development of road transport facilities.

Apart from the fact that the familiar grievances of the industry on inter-state restrictions on road traffic or the high level of cumulative central and state taxation continue to be treated with the contempt which familiarity is said to breed, government policy towards the automobile industry as the source of vehicles for the road transport industry has been far from dynamic or far-sighted. By adopting impractical and almost impossible policies of price control or production control with regard to the manufacture of automobiles, the government has effectively prevented a large part of this industry from developing a viable economic base for the large-scale production and aggressive marketing of commercial vehicles. It is true that one manufacturer, although limited to the production of commercial vehicles, has put up a splendid performance in terms of highly efficient large-scale production, but other automobile manufacturers, who have organized themselves for the production of commercial vehicles along with passenger cars, have had the ground cut from under their feet by the virtual war of attrition which is being waged by the government against the automobile part of their business. The charge against the government, then, must be that its policy—if it could be called that—for the automobile industry has been contributing not only to the inferior quality or high cost of passenger cars produced in this country but has also been responsible for preventing the rapid development of this industry broad-based on the manufacture of both passenger cars and commercial vehicles. It is wholly predictable in these circumstances that even if growth could take place in other sectors of the economy at or near the rates decreed by the needs of the seventies, the nation's transport capacity may not be able to respond adequately to the demands that may consequently be made on it.

Perhaps nowhere has the government's lack of sufficient seriousness in planning ahead for the vital requirements of the nation's economic growth been more unfortunate than in programming for the expansion of power facilities. Some time ago one state government after another went into a competitive spree to extend rural electrification particularly in celebration of the Gandhi centenary year. The number of villages to which electricity had been carried by a certain sacred date became a political status symbol for a state government or its chief minister. Quite often the claims fell far short of facts. Sometimes the transmission network was not all there. More often, farms or farmsteads had no access to the feeder lines. In any case effective utilization seldom corresponded with the impressive statistics of the rural electricity programmes. Meanwhile a critical shortage in electricity generation has been developing in the country. A year of poor rainfall has brought matters to a head. The generation of hydel power has been sharply affected, particularly in the northern region. Simultaneously, thermal power plants have been forced to function below capacity because of inadequate supply of coal which, again, is due partly to poor production performance at the collieries and partly to bottlenecks in rail transport for coal.

The current 'power' crisis has served to draw public attention emphatically to certain basic defects or weaknesses in the nation's power economy. The generation of electricity is, in the main, the responsibility of the public sector functioning through the agency of the state electricity boards under the aegis of the respective state governments. This has meant, inevitably, that the efficiency of operations has tended to vary from state to state, depending, among other things, on the general levels of efficiency in different state administrations. A more sinister aspect has been the intrusion of local politics in the functioning of state electricity boards. In a number of states, the operation of power stations leaves much to be desired, particularly in terms of maintenance. In quite a few states, power generation is about 50 per cent or less of installed capacity. In addition, corruption, in its many forms, has been widely prevalent. The result is that, when whole industries are working only part of the time or when one industrial unit after another is closing down, especially in areas hit by a setback to hydel power generation, about half the installed generating capacity in a number of states is failing to contribute its share to the national power pool.

The country must ask, surely, whether the public sector in power generation should not be made to discharge its responsibilities with a little more seriousness of purpose. People are in fact beginning to inquire whether government policy has been wise in placing so many restrictions on power-generating facilities still existing in the private sector. A pattern of regulation of tariff, which has artificially limited the profitability of investments in this industry, has, consistent with the government's policy of steadily squeezing out the private power companies, deprived them of internal resources for modernization or expansion. The interest of the private sector power companies in their future prospects, however, are likely to be academic in any case, so long as the government does not make it clear what its intentions are with regard to the complete nationalization of power generation. One of the more important or prestigeous power generating complexes in the country, the three Tata electric companies in the Maharashtra region, for instance, will have to seek a renewal of their licences in 1980. This, no doubt, is still some time away, but power development implies a certain measure of continuous planning and the current power crisis in the country makes it all the more necessary that the government ought to be looking beyond its nose.

There is a pressing need, of course, for an early improvement in the technical performance of the state electricity boards or the facilities under their charge. The problem is how to secure this improvement. There is a view that, unless the personnel policies of the state electricity boards are drastically revised and competent technical men are given good salaries and a certain measure of responsibility and freedom of initiative or action, the management of power facilities in the public sector would never improve. Whether this amounts to a complete answer to the problem is doubtful but there can be no two opinions on the

fact that control of corruption and emphasis on performance on the part of the higher technical personnel are two basic requirements for the achievement of better utilization of existing power facilities in the public sector.

The place of atomic power stations in the electricity map of this country is still a provisional one. For the foreseeable future, more conventional sources of energy should gain in importance absolutely as well as relatively to atomic power. The prime condition for more power generation, whether hydel or thermal, would appear to be the availability in time of the heavy electrical equipment needed for the purpose. It is possible that there have already been many grave errors of judgment or calculation in co-ordinating power generation or transmission programmes with manufacturing schedules for the heavy electrical machinery plants in the public sector. Fortunately, production at these plants is steadily improving and, while the full utilization of their capacity which, of course, must be a legitimate policy goal, would undoubtedly serve to meet a substantial part of the equipment needs of an intensive power generation or transmission programme, there is no reason why the power programmes themselves should be rigidly tied down to the availability of equipment or machinery from domestic sources. There is in fact clear need for the import of heavy electrical equipment for hydel or thermal projects as well as the import, on a high priority basis, of diesel generating sets for industrial consumers setting up or operating captive power plants as well as state electricity boards for supplementing their existing facilities.

Now all this means that the government should act sincerely and seriously to cope with the power crisis both in the short period and on a long-term basis. Government here means not only the central government but also the various state governments. There thus arises immediately a compelling necessity for the central government to exert its co-ordinating authority with the utmost vigour and despatch. The central minister concerned, in other words, should be able and willing to function as a generalissimo, with his ministry as command headquarters. I am using these terms deliberately in order to drive home the fact that the challenge of power shortage can be met only on a war footing. The question is whether the central government is well enough equipped for the task. The present minister for Irrigation and Power is a respected technocrat who has a honourable record as a technical expert, administrator and policy-maker. But he has been getting on in years. In any event, Dr K.L. Rao does not dispose of the political clout necessary for dealing effectively with state governments or with other central ministries involved in one way or the other in the power programme; the Railways, for instance, may have to revolutionise the technique of transporting coal from the pitheads to the thermal power stations positioned in distant consuming centres. A younger and politically more weighty minister at the centre is indicated for the power development programme. Equally important is the need for the government giving up its lackadaisical approach to finding secretaries for such strategically important ministries as Power and Irrigation. It is nothing short of major administrative scandal that, when the nation is facing a power crisis, the central ministry concerned has had to make do without a replacement for its former secretary who had retired recently. Surely it cannot be an unimportant part of the responsibility of the cabinet secretariat to make appointments in time for such critical posts at the highest level of the administration.

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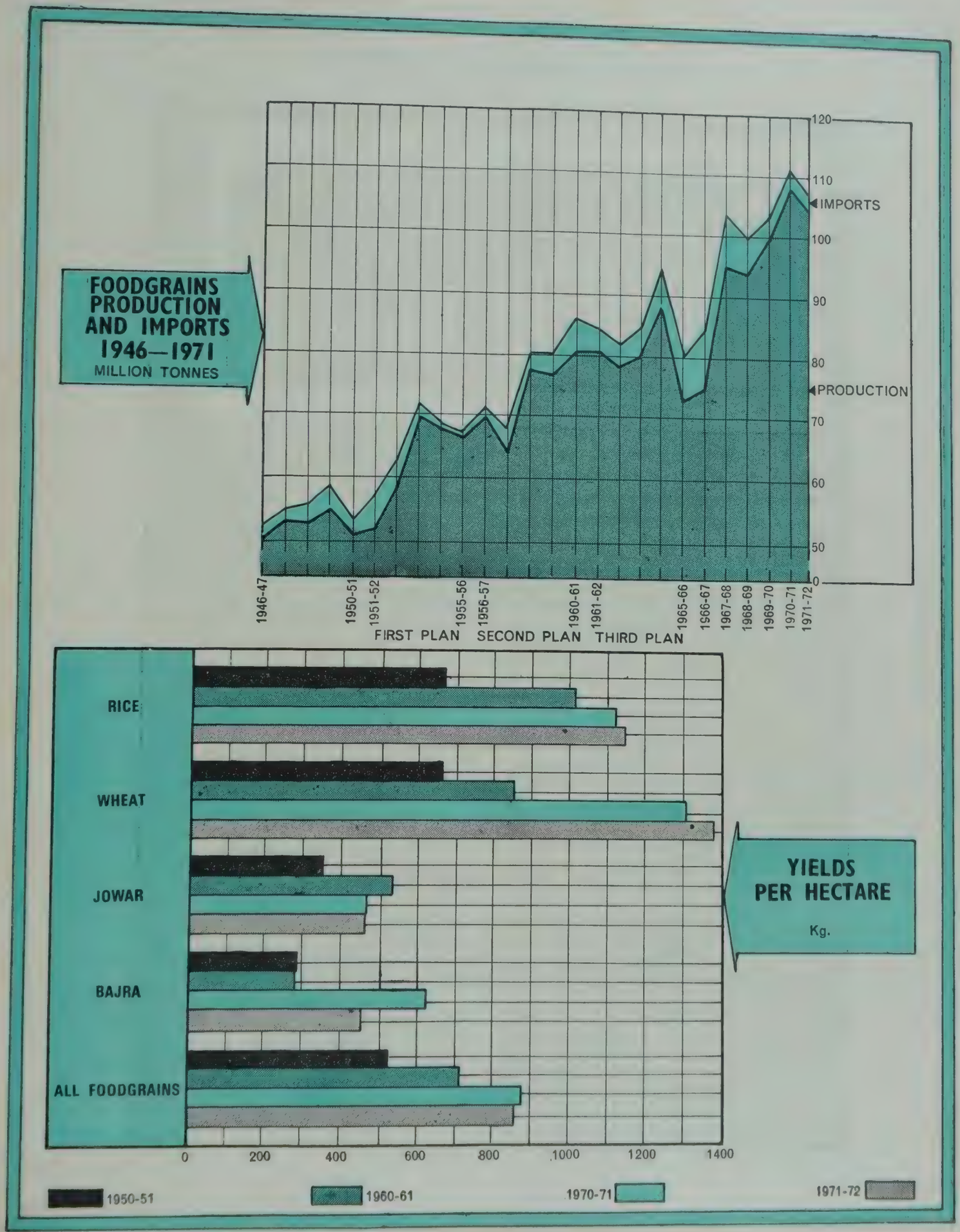
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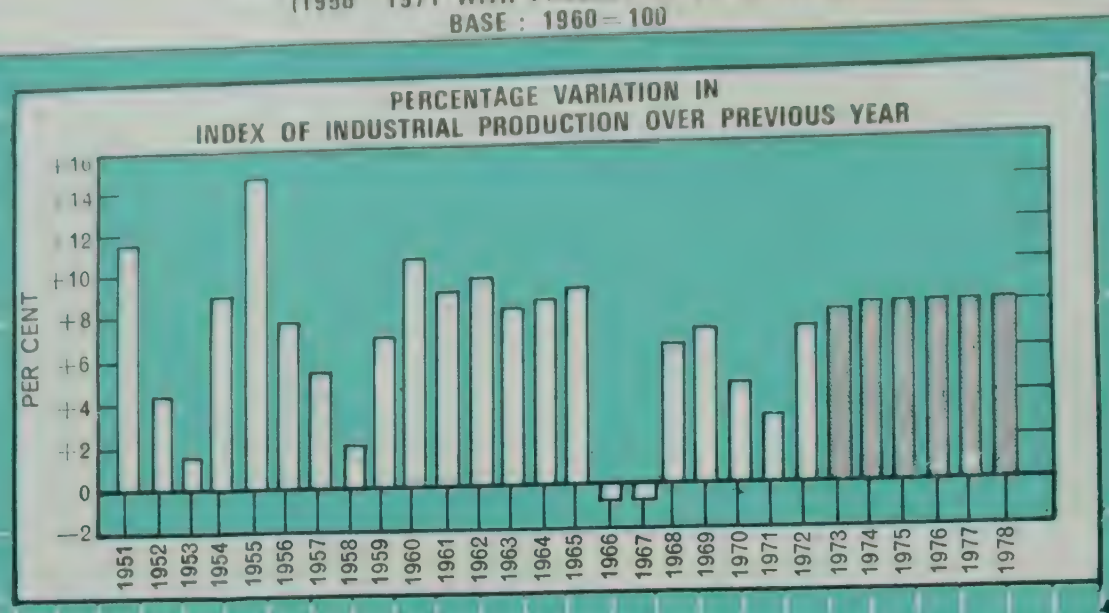
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MILLION TONNES
120
110
IMPORTS
100
90
80
PRODUCTION
70
60
50
0
1946-47
1950-51
1951-52
1955-56
1956-57
1960-61
1961-62
1965-66
1966-67
1967-68
1968-69
1969-70
1970-71
1971-72
FIRST PLAN
SECOND PLAN
THIRD PLAN
RICE
WHEAT
JOWAR
BAJRA
ALL FOODGRAINS
YIELDS PER HECTARE
Kg.
0
200
400
600
800
1000
1200
1400
1950-51
1960-61
1970-71
1971-72

GROWTH IN INDUSTRIAL PRODUCTION

(1950 1971 WITH PROJECTION UP TO 1978)

BASE : 1960 = 100



INDEX NUMBERS

400
350
300
250
200
150
100
50
0

INDUSTRIAL PRODUCTION

1950 1952 1954 1956 1958 1960 1962 1964 1966 1968 1970 1972 1974 1976 1978

There is need for a bit of sense too. Asking for even that little bit, it appears, could be a tall order. Take, for instance, the amount of nonsense that has been spewed about economic growth. It has been almost made out that if this country has not registered sufficient progress in terms of social welfare or, what is called social justice, it is because of its undue preoccupation with economic growth. This is doing Himalayan violence to common sense. To suggest even remotely that we are tending to emphasisc growth too much when the brutal reality is that our country has got one of the lowest per capita incomes in the world is to indulge in a kind of Newspeak at which even an Orwellian imagination is bound to boggle. The hypocrisy of this propoganda against growth is fully exposed by the fact that all this talk about the danger of our economic planning becoming unduly growth-oriented in disregard of finer social values has come about just at a time when the ruling party obviously needs desperate alibis for the failure of its economic policies to sustain the development process, particularly in the industrial sphere.

In theory it may be more appropriate to measure the quality of a country's economic progress by some such standard as, say, Net National Welfare than by movement in its Gross National Product. But there is the initial practical difficulty that, even in countries which have greatly advanced in sophisticated statistical techniques, the problem of quantifying Net National Welfare is still to be considered. Let us by all means make whatever qualifications we need or want to make to the rate of economic growth in terms of such socially significant factors as the dispersal of economic opportunities or employment openings in the nation or the redistribution of the national income in favour of the lower income groups. Let us also make rational compromises wherever necessary for reconciling the demands of economic growth with the requirements of social welfare or social justice, but let us not delude ourselves into thinking that this country's mass poverty can be dealt within terms other than those of harnessing its resources to steady increase in production and a dynamic improvement in productivity in all the sectors of the economy.

Even space travel does not take place in a vacuum, but only through such tangible tools as the great booster rockets or space vehicles. While social welfare or social justice must be the purpose of development planning, the process would still be economic growth. The relationship between growth and well-being is not one of creative integration and not negative confrontation. That this self-evident truth has to be laboured at this point of time in economic planning in our country is disturbing evidence of the readiness of adventurist economists or opportunist politicians not only to stand economic theory on its head, but trample on the experience of nations over centuries of painstaking economic development. It is outrageous nonsense, surely, to suggest that the poor may become less poor or fewer in number without their having to work harder to earn a better living. It is the responsibility of planning, certainly, to ensure that the poor get opportunities to work more for a better living; it is not within its resources to spare them the effort itself.

It is not only about economic growth that a little more sense is needed in talk or attitudes. On the issue of the nature or extent of government regulation of the economy, too, there seems to be scope for some disciplined thinking. It has of course been a distinct gain to the practice of planning in this country that there is acceptance, both popular and informed, of the need for government action or machinery to regulate imports, exports, the spending of foreign exchange and, to some extent, the investment of domestic capital or other resources in industry. Unfortunately much of the good of this gain is being lost because of politically motivated trends towards an artificial extension of state trading or expansion of the public sector in industry. The so-called canalising of imports or exports through state trading agencies to the accompaniment of the government's declared intention to take over the entire import trade and the greater part of the export trade of the nation ultimately is providing sufficient warrant for the fear that the development process is steadily being deprived of the flexibility it must have if it is to make competent use of the material and human resources of the community. The notion that a regimented economy can be more responsive to social needs or social values than an economy in which the state plays only a regulatory role for setting the course of the economy towards socially accepted objectives has been repeatedly proved to be false whereever economic planning has been attempted along those lines. India's misfortune, therefore, is all the greater in that its politicians are deliberately turning their backs on a sensible approach to the problem of integrating economic development with social discipline.

Particularly objectionable is the turn which government policy is taking in regard to the nation's food economy. Normally, the decline in kharif foodgrain production due to the unsatisfactory monsoons this year should have served to direct our attention to the particular problems of drought-prone areas. The need here is for steps to be taken to promote water conservation more vigorously simultaneously with efforts at diversifying the economy in these parts so that employment opportunities outside the farm sector could be developed, especially as a protection to the livelihood of the people whenever droughts happen to threaten it. More generally, the fact that a poor crop year could upset the food balance in the nation should have been accepted as a prompting to the government to intensify its development effort in the agricultural sector and thus provide a margin of safety in farm production or some reserve capacity in farming. The ruling party, however, has chosen instead to set out on a mad collision course of total regimentation of the food economy which must inevitably break itself on the rocks of an impossibly over-burdened administration.

Socialised agriculture has been regularly inflicting on the Soviet Union some of the worst reverses its government's economic policies have suffered during the last 50 years. In neighbouring Burma, state trading in rice has been an unredeemed commercial disaster and economic tragedy. In our own country, in the post-war years, the growth impulses in agriculture had been suppressed by monopoly procurement from peasants in deficit areas, compulsory levies on farmers in surplus states, statutory rationing of urban centres and controlled distribution in the rest of the country. A time came when the damage which this pattern of food controls was doing to the long-term interests of both producers and consumers could not continue to be ignored. The result was that commodity controls were liberalised and relaxed gradually. It soon came to be seen that the government's role in ensuring supplies or reasonable prices would have to be flexible and broadly regulatory. This lesson of painful experience is now being brushed aside and, as evidenced by the proceedings of its annual session held recently in 'Bidhannagar,' the 'hawks' have been able to push the control package down the throat of the ruling party.

Lack of sense characterises also the politicians' (and also the government's) approach to the problem of external resources. There is a pointless debate, particularly in government circles, over whether there really is a savings gap in our economy. This, obviously, is not a subject for discussion in the abstract. Whether there is a savings gap or not will have to be considered, for instance, in terms of the rate of economic growth we may be aiming at, the amount of welfare we seek to generate and the capital-output

ratio we would be assuming for the purpose In any case, considering the government's reliance on deficit financing and the extent to which the pattern of resource allocation or the price structure is being distorted by inflationary pressures, it would be prudent to conclude that the economy stands to gain from imbibing external capital as a supplement to domestic non-inflationary financing of development.

Unfortunately, the government's ambivalent attitude to foreign aid and its negative approach to foreign private capital are needlessly depriving the country of legitimate access to international availability of capital. Inter-governmental aid, admittedly, has political overtones, but to rule out the acceptability of this form of aid on this score would be to throw the baby with the bath water. Political exploitation of inter-governmental aid can and ought to be resisted by developing countries working for further internationalisation of development assistance through the various UN agencies. As for private foreign capital, the fact has to be reckoned with that the flow of this resource across national frontiers has been an effective influence historically in internationally dispersing economic development. Within the last 20 years the activities of multi-national corporations have become one of the most potent forces for mobilising capital internationally or deploying among nations the resources of a world pool of technology or management know-how. This country, for some years now, has been succeeding in having to do as little as possible with multi-national companies. This has meant evading the problem rather than taking it on and dealing with it. While it is important for individual countries to be able to exert their own national discipline on the functioning of multi-national corporations in their respective jurisdictions, India has lost more than it has gained by denying itself almost completely the opportunity to benefit from the internationalisation of industrial progress by the multi-national companies.

Again, even apart the multi-national companies there is a far less controversial source of foreign private capital which the government has been neglecting. Especially in more recent years, medium-scale businesses in countries such as the Federal Republic of Germany have been increasingly keen on participating in joint industrial ventures in developing countries. Leading Japanese firms too have recently taken to showing keen interest in investing, or otherwise participating actively, in industrial undertakings abroad. These are trends which offer legitimate opportunities to this country for taking advantage of external resources of capital, technology and management know-how for the purpose of attempting a higher rate of economic growth than may otherwise be possible. It would be no use blaming the affluent or the industrially advanced countries for not practising enlightened international co-operation with developing countries if the governments of the latter were to follow deliberately policies which deter or discourage the processes or institutions through which that co-operation must necessarily be organised. Unfortunately, the record of the ruling party as well as most other political parties has been unimaginative and unrealistic in this respect.

In these circumstances it would be easy optimism to assume that the politicians and the government would allow the seventies to cope effectively with its shortages. The basic shortages are not those of electricity or steel, but shortages of various constructive attributes in the political leadership of this country. The only hope —if 'hope' is the word—is that the ruling politicians have become so short-sighted that what goes by the name of economic policy in the government may wind up in a dead-end alley sooner rather than later. Such of us as have a firm faith in the viability and durability of our democratic political system may perhaps nurse the expectation that some time during the seventies—and well before it becomes too late—the right kind of political leadership will assert itself and take cognizance of the shortages of the seventies and control of the nation's response to the challenge of this demanding decade.

—V. Balasubramanian

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Energy: an uphill task

How HAZARDOUS it is to plan for razor-edge balances in the infrastructure sector of a developing economy has been brought out by our country's experiences particularly in the field of fuel. It, indeed, requires tremendous ingenuity on the part of authorities to manage the economy if the above type of planning is not to be allowed to throw it out of gear. This is because marginal shortages always tend to get accentuated whenever the developmental programmes slip, as they often do.

Dwelling two years ago on the subject of energy, this journal had reached the conclusion. "It can well be visualised that the relatively easy energy supply position now existing will not continue for long. In the very near future, as the tempo of economic activity picks up, shortages of energy, particularly of electricity, will start developing in a fairly acute form."

This conclusion, then, was irresistible. The easy supply of energy in most parts of the country at that time was the result of an appreciable fall in the tempo of general economic activity in the country after 1965, rather than a sequel to the development of energy sources keeping pace with the growth in the energy-consuming sectors of the economy.

Tight balance

Even a cursory glance at the first three Plans would make it clear that, all through the period of 15 years covered by them—upto 1965-66 — we had programmed for a tight balance —if not for marginal shortages—on the energy front. Even small lags in the implementation of energy programmes created difficulties as long as the tempo of general economic activity remained fairly high. The comparatively easy situation in energy supply emerged in the late sixties when the growth rate in the industrial sector declined sharply and good monsoons somewhat reduced the dependence of agriculture on irrigation facilities. The steady growth in the energy sector that continued during the second half of the sixties helped in bridging the gap between the requirements and supply.

Important changes

With the passage of time, three important changes have taken place on our energy scene. The first is that the conventional commercial sources of energy—coal, oil or natural gas and water—today account for more than 50 per cent of the total energy requirements of the country, which are estimated around 400 million tonnes coal equivalent. In the early fifties, their share was about 32 per cent of the aggregate requirements (184.5 million tonnes coal equivalent in 1953-54); the rest of the demand for energy then was met by non-commercial fuels —animal dung, firewood and vegetable wastes. The use of commercial fuels has grown rapidly in the sixties. About 39.6 per cent of the total energy requirements in 1960-61—estimated around 202 million tonnes coal equivalent were met by commercial fuels. To-day, as stated above, this percentage is over 50.

The second major change that has come about is that among the commercial sources of energy, the relative importance of the different sources has changed substantially. The share of oil and hydro-power has gone up and that of coal gone down. Even nuclear energy has appeared on the scene. Two other new commercial fuels are also used now. These are lignite and natural gas. But their utilization is as yet limited.

The third important change is that growing importance of the secondary forms of energy. Electricity, for instance, today accounts for nearly 15 per cent of the total energy consumed in the country. This percentage was just about half in 1960-61 and a bare four per cent in 1953-54.

The discussion in this piece relates only to the commercial sources of energy.

Taking first power—thermal, hydro as well as nuclear and gas or oil-based power—what do we find in the country to-day? Acute shortages which have necessistated cuts in supply to consumers in most of the states; in some states, the cuts have been, indeed, drastic—25 to 50 per cent.

Easy supply

Presently, according to an official assessment, the supply of power is easy only in five states—Delhi, Himachal Pradesh, Madhya Pradesh, Kerala and Assam. The surpluses of power from these states are being made available, to the extent possible, to the deficit areas. For instance, Delhi's surplus is being provided to Haryana. Punjab is receiving some supplies from Himachal Pradesh. The supply in Uttar Pradesh is being augmented by transfers of power from Bihar and Madhya Pradesh. Madhya Pradesh is also making available a small quantity of power to Maharashtra. The surplus power from Kerala is being fed into the southern grid of the benefit of the deficit states of Tamil Nadu, Mysore and Andhra Pradesh. An idea of the shortages of power being experienced currently by the different states in the country can be had from Table I (p. 1284).

The scarcity of power this year has been accentuated a great deal by poor monsoons over nearly two-thirds of the country. This has not only led to an increase in the demand for power for irrigation purposes but has also reduced power generation at most of the hydro-electric projects; the level of water in the reservoirs of these projects has fallen to unprecedented low levels. The major hydro-electric projects affected are—Bhakra-Nangal, Rihand-Obra, Gandhisagar, Ranapratapsagar J. sagar, Koyna, Sharavathy, Machkund, Upper Sileru, Sibirigiri, Kundah, Khopoli, Bhira and Bhirpuri. The shortfall in the live storage capacity of Gobindsagar (Bhakra), Gandhisagar (Chambal), Koyna, Sharavathy, Machkund, Kundah and Tata Lakes (which provide water for the generation of power at Khopoli, Bhira and Bhirpuri) this year has been as high as 48 per cent, 41 per cent, 45 per cent, 42 per cent 55 per cent, 65 per cent and 52 per cent, respectively. The shortfall in the case of Rihand has been 26 per cent and in the case of Sibirigiri 29 per cent.

Paucity of hydro-power

The availability of hydropower this year is estimated to have gone down by 11 per cent due to poor monsoons. Along with the operational difficulties of the thermal projects at Satpura (Madhya Pradesh), Ennore (Tamil Nadu) and Neyveli (Tamil Nadu) and the nuclear power station at Tarapore (Maharashtra), this has practically wiped out the advantage accruing from the additions to the total power generation capacity in the country during the 12 months to July, 1972—nearly 733,500 kws. The net availability of power currently, thus is approximately the same as at this time last year.

With a view to mitigating the present shortages of power in the four deficit re-

Over to page 1286

TABLE II

Power Availability in Different Regions/States

Region/State	Installed capacity (as in November, 1972) (MW)	Daily power supply last year (MW)	Daily power availability this year (MU/day)	Daily power requirement this year (MU/day)		Surplus/ deficit in average energy availability (MU/day)
		(for the period October to June)				
I. Northern						
1. Uttar Pradesh	1,622	21.00	21.00	24.30		(—)3.30
2. Punjab	722	6.08	4.84	7.05		(—)2.21
3. Haryana	497	6.66	3.43	5.40		(—)7.97
4. Rajasthan	554	4.30	3.77	4.97		(—)1.20
5. Delhi	283	3.90	5.16	4.50		(+)0.66*
6. Himachal Pradesh	51	0.50	0.84	0.58		(+)0.26**
7. Jammu & Kashmir	70	0.58	0.73	0.73***		
8. Chandigarh	2	0.25	0.19	0.30		(—)0.11
9. Nangal Fertiliser Factory		3.00	2.35	2.35£		
Total	3,801	44.27	42.31	50.18		(—)8.79
					Relief	(+)1.52 (inclusive of 0.6 from Madhya Pradesh)
					Net	(—)7.27
II. Western						
1. Maharashtra	2,174	28.5	27.90	31.60		(—)3.7†
2. Gujrat	1,188	12.8	15.30	15.30		
3. Madhya Pradesh	766	7.3	9.30	8.20		(+)1.10‡
4. Goa, Daman & Diu	5	0.3	0.22	0.52		(—)0.3
Total	4,133	48.9	52.72	55.62		(—)4.0
					Relief	(+)0.5 (From Madhya Pradesh)
					Net	(—)3.5
III. Southern						
1. Andhra Pradesh	670	8.70	7.50	10.10		(—)2.60
2. Kerala	572	5.43	6.85	6.55		(+)0.30
3. Mysore	966	12.30	10.95	13.90		(—)2.95
4. Tamil Nadu	2171	19.80	16.50	22.00		(—)5.05
Total	4379	46.23	41.80	52.55		(—)11.05
					Relief	(+)0.30 (From Kerala)
					Net	(—)10.75
IV Eastern						
1. Bihar	596	4.51	5.56	6.12		(—)0.56
2. West Bengal	1174	10.11	11.18	12.18		(—)1.00
3. DVC	1061	10.70	10.60	11.60		(—)1.00
4. Orissa	563	5.72	5.70	6.80		(—)1.10
Total	3394	31.04	33.04	36.70		(—)3.66
V. North-Eastern	191	1.20	1.60	1.60		..
All-India (Utilities)	15898	171.64	171.47	196.65		(—)25.18
All-India (including Utilities & Non-Utilities)	17500					

*This is supplied to Haryana. **This is supplied to Punjab. ***Restricted to availability. £Based on restricted supply
†Restriction in force at present due to sudden breakdown of one unit of 140MW at Dhuvaran.
‡This is supplied to Maharashtra & Punjab via Rajasthan.
Note: The Ranapratap Sagar Atomic Power Station is expected to start supplying power partially from January 1973. The shortage in Northern Region would then correspondingly reduce.

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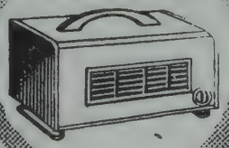


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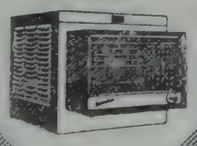


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gions, a number of decisions have been taken at the recent meetings which the Union Minister for Irrigation and Power, Dr K. L. Rao, had with the Chief Ministers and ministers of power of the states. These are

Northern Region

(a) Surplus power from the Satpura thermal station should be made available to Punjab and surplus at Delhi to Haryana.

(b) The commissioning of the first unit of 100,000 Kw at the Badarpur thermal station, 110,000 Kw at Bhatinda and 100,000 Kw at Obra should be expedited.

(c) Power from the Ranapratapsagar nuclear station, when it becomes available steadily from January, 1973 should be utilized to mitigate the shortages in Rajasthan and in the rest of the region.

(d) The gas-turbine unit at Kota should be repaired immediately and operated.

(e) The installation of captive power units (diesel sets) requested by private industries should be permitted.

(f) The construction of the 220 Kv Jaipur-Badarpur line should be accelerated.

Western Region

(a) The gas-turbine (27,000 Kw) set lying idle in this region for want of gas should be brought into service immediately.

(b) The energy generation at Dhuvaran and Sabarmati stations should be increased by augmenting the supply of residual fuel oil.

(c) Small thermal and diesel sets in the region should be operated even though it is costly.

(d) The repairs to the 30,000 Kw set at Korba, being carried out by Bharat Heavy Electricals Limited (BHEL) should be expedited.

Southern Region

(a) The four states in the southern region should spare 0.1 million Kwh power per day each for meeting the additional requirements of Pondicherry and Goa.

(b) The minor modifications required for increasing the cooling water supply to the Ennore thermal station in Tamil Nadu should be carried out immediately.

(c) The lignite at present being used for the production of LECO briquetts may be diverted for use in the power plant at Neyveli. Adequate supply of oil may also be made available to suppiement lignite at Neyveli.

(d) Every assistance should be given for commissioning the first unit of 110,000 Kw at Kothagudem in Andhra Pradesh, the second and third units of 25,000 Kw each at Kuttiadi in Kerala and the second unit of 110,000 Kw at Ennore in Tamil Nadu, as targetted at present.

(e) The installation of captive power units by industries should be permitted.

Eastern Region

(a) Supply of good quality coal for all the thermal stations in the eastern region should be arranged till three-stage washeries are established, so that the forced outrages of the thermal units are reduced.

(b) Adequate stock of essential spares should be procured immediately and stocked to avoid delay in the repairs of thermal units

(c) The repairs to (i) the rotor for the second (50,000 Kw) unit at Patratu (being carried out by BHEL), and (ii) the (75,000 Kw) units at Waria and Bokaro of the Damodar Valley Corporation should be carried out expeditiously and units brought back into service as early as possible.

(d) In order to restore full generation capacity of 100,000 Kw in the sixth unit at Patratu, in Bihar, the main steam valve for one of the boilers should be obtained immediately, if necessary by air-freighting.

(e) The two units of 62,500 Kw each at Talcher, which are scheduled for recommissioning in early December, 1972, and January, 1972, res-

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pectively, should be expedited.

(f) Efforts should be made to commission the first unit of 60,000 Kw at Balimela by January, 1973, as scheduled earlier. The commissioning of the fourth unit (120,000 Kw) at Chandrapura (DVC) should be expedited

(g) The DVC should not connect further loads on its system this year.

(h) They construction of the 220 Kv line between Balimela and Talcher should be accelerated. The construction of the 220 Kv Durgapur-Waria line and the 220 Kv Jodachandil line should be expedited.

The above decisions should help in mitigating the present acute shortages of power in the four deficit regions to some extent, but the situation cannot be expected to improve significantly till the next monsoon season starts in June|July.

This year's acute power scarcity, indeed, can be termed exceptional. But can it be said that power generation in the country has kept pace with the increase in demand?

An answer to this question apparently is "No". As Table II reveals, our power development programmes have been lagging much behind schedule. The net addition to the 2.31 million Kw installed generation capacity in 1950-51, during the five years to 1955-56 was to be of the order of 1.40 million Kw. The actual addition, however, was only to the extent of 1.12 million Kw. The target of adding 3.48 million Kw capacity during the second Plan ending 1960-61 could be achieved only to the extent of 2.23 million Kw. In the third Plan period, covering the five years to 1965-66, the addition to the installed capacity was 4.52 million Kw, against the target of 7.04 million Kw. The installed capacity during the three annual Plans succeeding the third five-year Plan also left much to be desired; the additional capacity created during this period was only 4.12 million Kw, against the target of 6.68 million Kw.

The performance during the current (fourth) Plan has been no better. The installed capacity was to be raised by 4.13 million Kw during the first three years of this Plan. The actual addition, however, was only to the extent of 2.60 million Kw. The programmed addition to capacity this year (1972-73) is of the order of 1.9 million Kw. But according to a recent official assessment, the achievement is likely to fall short of the target by nearly 0.5 million Kw. This assessment also reveals that not more than 1.7 million Kw. additional capacity can be expected to be commissioned next year—the terminal year of the current Plan. The total installed capacity at the end of the fourth Plan, thus, may not exceed 20.3 million Kw. This will be nearly three million Kw short of the target of 23.14 million Kw.

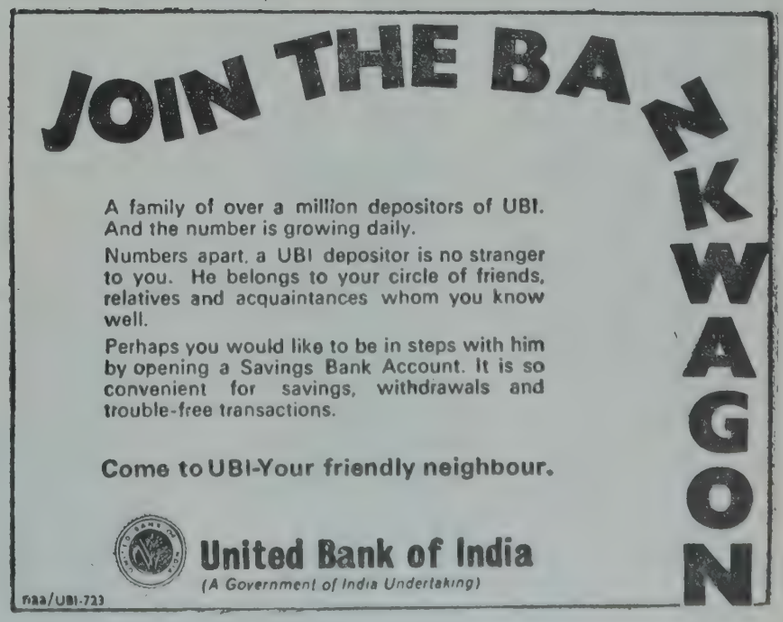
The slower-than-expected rate of growth of the economy during the current Plan so far has brought down the demand for power. But even then, as Table III shows, power shortages are likely to persist at the end of 1973-74

TABLE II

Shortfalls in Physical Targets

Period	Planned addition (Mill kw)	Achievement (Mill kw)	Shortfall (Percentage)
First Plan	1.40	1.12	20
Second Plan	3.48	2.23	36
Third Plan	7.04	4.52	35
Three Annual Plans	6.68	4.12	38
Fourth Plan (1969-72) (First three years)	4.13	2.60	37





in the northern, western and southern regions, which account for approximately 80 per cent of the total power requirements in the country. This table is based on the conclusions of the Seventh Annual Electric Power Survey of India conducted this year.

A good deal of care, however, needs to be exercised in reading Table III, for it tends to paint a brighter picture of the energy front than is warranted. This should be evident from Table IV which compares the latest estimates of power supply in various regions contained in the seventh annual electric power survey with those prepared at the time of drawing up the fourth Plan. While according to the latest estimates, the total installed capacity of public utilities in 1973-74 is likely to be of the order of 18.697 million Kw, the original expectation was 21.651 million Kw. (The target of 23.136 million Kw installed capacity for the fourth Plan included 1.485 million Kw capacity in the non-utilities sector). The installed capacity in public utilities at the end of 1973-74, thus, is expected to fall short of the target by 29.54 million Kw. As against this, the peak load figure is expected to go down from the original estimate of 17.020 million Kw to 14.618 million Kw—by 2.412 million Kw. This should suggest a slight easing of the power shortages in 1973-74 from those envisaged at the time of launching the current five-year Plan, but surely not such a marked improvement so as to turn the envisaged overall deficit in the country into a surplus.

A close study of Table IV would reveal that the seventh annual electric power survey has been able to paint a bright picture of the power front by introducing one innovation. The innovation is the abandoning of the concept of "firm capacity" followed hitherto and its replacement by the concept of "peak capability". The change is said to have been effected in deference to the practice prevalent in the advanced countries. But in effecting this change, the survey appears to have underestimated the "gross margins" in the case of some regions. This should be clear from the detailed "Energy Availability and Requirements" table (p. 1445) published in the statistical section of this issue. The gross margins indicated in this table for the different regions for the year 1973-74 are appreciably lower than for the years gone by. The following excerpts from the preface of the seventh annual electric power survey is also revealing.

"For proper assessment of gross margin requirement of individual power systems, the committee recommends carrying out of detailed system studies by the concerned utilities. The committee has noted that at present the gross margin available in different power systems in the country (under more or less identical conditions) are widely different and, therefore, the degree of security of supply is high in certain systems and low in other systems. The committee feels that there should be a uniform and rational approach in regard to the provision of gross margin so that all the systems in the country operate more or less with the same degree of security of supply".

In the face of the above admission by the chairman of the survey himself, the conclusion that the picture of power availability painted by the seventh annual electric power survey is brighter than warranted is not unjustified.

The reasons for the lags

TABLE III

Estimated Surplus/Deficit (Region-wise)

(Million kWh)

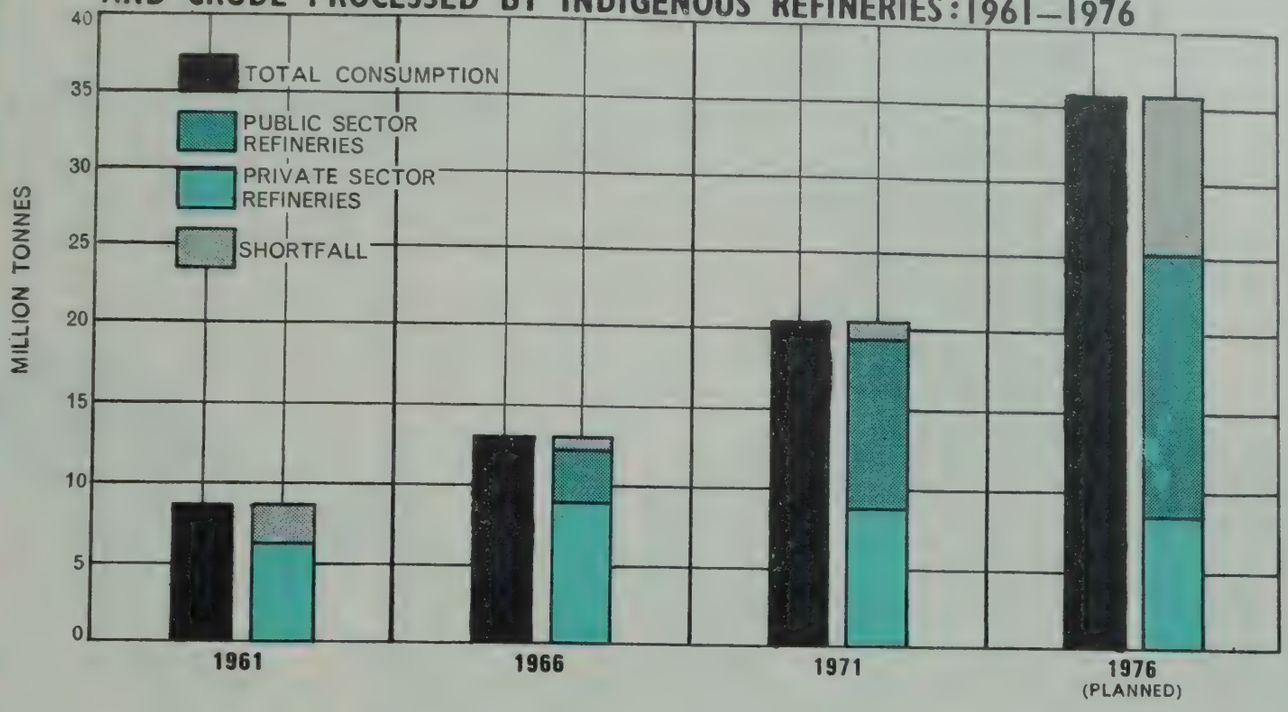
Region	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
Northern region	1132	549	582	—1766	—1473	—411	2027
Western region	908	1155	1658	1091	412	—164	—1536
Southern region	3890	2841	2327	1927	1278	—136	—192
Eastern region	2187	2837	3071	2400	1873	2525	2577
North-eastern region	313	241	240	183	176	226	470
All-India	8430	7623	7879	3835	2266	2040	3346

TABLE IV

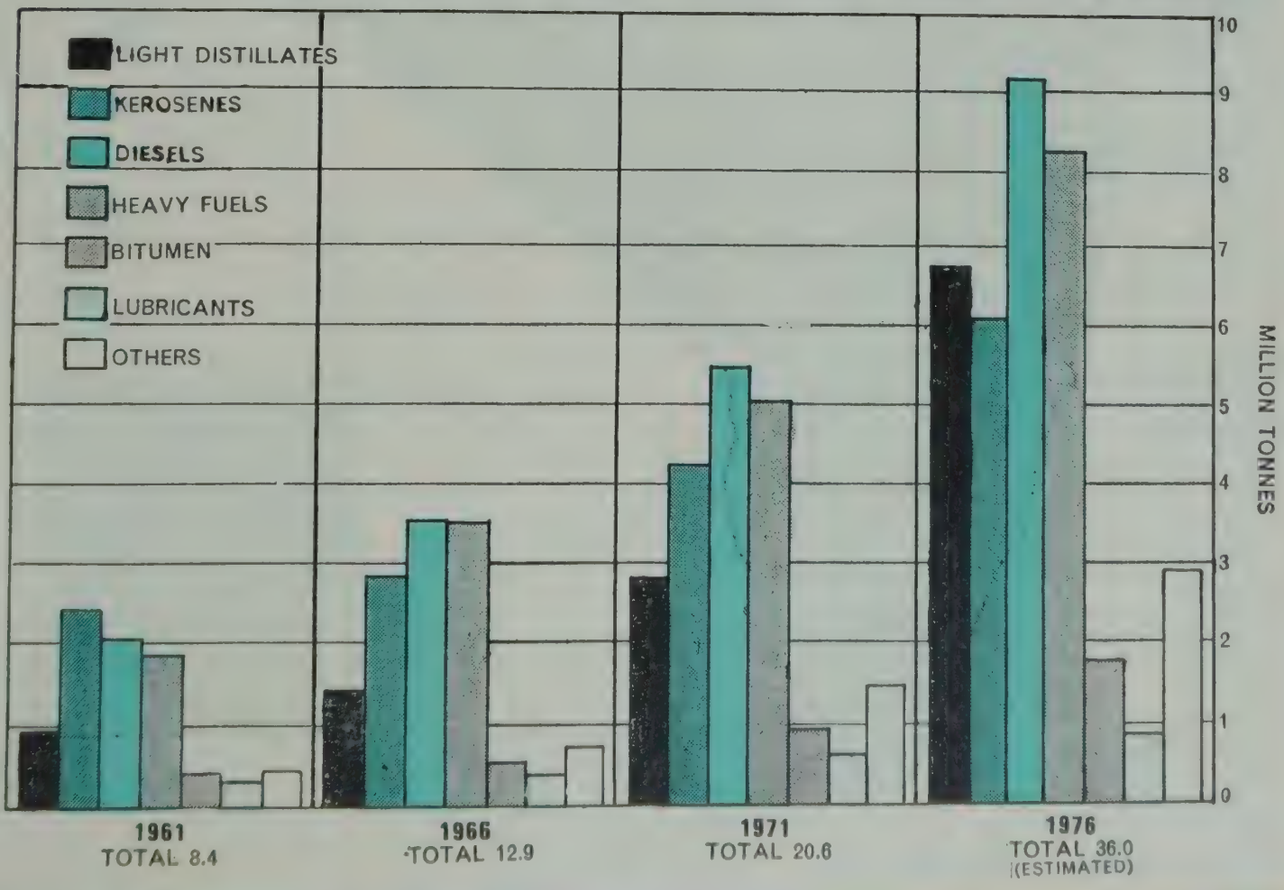
Power Supply from Public Utilities in 1973-74

Region	Seventh Annual Electric Power Survey Estimate				Original Estimates of Fourth Plan			
	Installed capacity (MW)	Peak capability (MW)	Peak load (MW)	Surplus(+) Deficit(—) (Million Kwhs)	Installed capacity (MW)	Firm capacity (MW)	Peak load (MW)	Surplus(+) Deficit (—) (MW)
Northern	5,192	4,318	4,233	—411	5,993	4,165	4,605	—440
Western	4,513	4,285	3,835	—164	5,131	3,746	4,675	—929
Southern	4,804	4,056	3,936	—136	5,614	4,083	4,688	—605
Eastern	3,941	3,316	2,460	+2,525	4,581	3,079	2,921	+158
North-eastern	243	226	153	+226	332	226	131	+95
Total All-India	18,697	16,206	14,618	+2,040	21,651	15,299	17,020	—1,721

CONSUMPTION OF PETROLEUM PRODUCTS IN INDIA AND CRUDE PROCESSED BY INDIGENOUS REFINERIES: 1961–1976



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DIGBOI
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JAIPUR
KOTA
BARAUNI
KANPUR
BANGLADESH
KALOL
KANDLA
NAVAGAM
GULF OF KUTCH
BARODA
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BANGALORE
MADRAS
COCHIN
INDIAN OCEAN
MAJOR CITY
OIL REFINERIES
PUBLIC SECTOR
PRIVATE SECTOR
UNDER CONSTRUCTION
PETROCHEMICAL COMPLEX
PROPOSED
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PRIVATE SECTOR
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in the implementation of the power development programmes during the past 21 years are not far to seek. In the fifties, implementation was hindered by shortages of foreign exchange. More recently, however, four other constraints have appeared. These are: (i) delays in the delivery of equipment from indigenous sources; (ii) shortages of essential construction materials — steel and cement; (iii) paucity of even rupee resources; and (iv) recurrent labour trouble. This is evident from Table V which gives the schemes targetted for completion during the fourth Plan period but which are likley to spill over in the next Plan.

A clear evidence of underestimation of construction costs of power projects is available from the fact that whereas about 60 per cent of the fourth Plan outlay for power programmes has already been spent, the achievement of physical targets has been only to the extent of about 37 per cent. The shortfalls have occurred in all the three spheres—generation of hydro-electricity, coal-based power as well as nuclear power.

Operational difficulties

Operational difficulties too have contributed to no small extent to power shortages in the country. They have resulted in considerable under-utilization of installed capacity. In the case of hydro-electric projects, these difficulties, of course, have arisen because of occassional inadequacy of rains. In the case of coal-based plants, they are attributable to (i) non-availability of right types of coal, and (ii) poor maintenance. Poor maintenance is accounted for by various factors. These include lack of sufficiently trained and experienced personnel, appointment of personnel on non-technical considerations, shortages of spares and components, etc.

Another important factor contributing to low utilisation of installed power generation capacity has been the inadequacy of transmission facilities. A pertinent instance of this is found in the north-eastern region. Inadequate transmission facilities have hampered transfer of surplus power for the north-eastern region to the deficit areas elsewhere in the country even to the adjoining eastern region. There are also complaints of insufficient transmission lines even within the eastern states.

The primary reason for the inadequate development of the transmission system is the tight allocations made for this purpose during the past 21 years. Shortages of steel have been another contributory factor. The third important cause has been the inadequacy of implementation machinery for transmission projects at the state levels — transmission of power is the responsibility of state electricity boards. Some state governments have also been reluctant to go in for inter-state transmission links.

TABLE V

Schemes Targetted for Completion in Fourth Plan but now Spilling into Fifth Plan

Project	No of units & capacity (MW)	Reasons for delay
Northern Region		
1. Faridabad Thermal Extension	1x55=55	Delay in civil works which were started late.
2. Beas Unit I (Dehar)	1x165=165	Delay in supply of equipment.
3. Ramganga Hydel (2nd unit)	1x60=60	Delay in supply of equipment.
4. Harduaganj Thermal Extension	1x110=110	Delivery schedule of equipment not suitable for commissioning within fourth Plan.
5. Panki Thermal Extension	1x110=110	
6. Ranapratap Sagar Atomic Power Project (2nd Unit)	1x200=200	Delay in erection of equipment.
7. Giri Bata Hydel	2x30=60	Delay in civil works.
8. Baira-Siul Hydel	3x66=198	Delivery schedule quoted not suitable for commissioning within fourth Plan.
Southern Region		
9. Idikki Hydel (1st and 2nd)	2x130=260	Delay in civil works.
10. Sharavathy Hydel (10th Unit)	1x89.1=89.1	Delay in supply of equipment.
11. Kundah Hydel (Stage IV)	1x60+1x50=110	Orders for equipment yet to be placed.
12. Ennore Thermal Extension (5th Unit)	1x110=110	Delivery of equipment not suitable for commissioning within fourth Plan. Civil works programme also not suitable.
13. Kalpakkam Atomic Station (1st Unit)	1x200=200	Delay in construction of the project.
Western Region		
14. Ukai Hydel (2nd to 4th Units)	3x75=225	Delay in supply of equipment.
15. Vaitarana Hydel	1x60=60	Delay in civil works.
16. Koyna Hydel (Stage III)	4x80=320	Delivery of equipment is also not suitable for commissioning in fourth Plan for last three units.
Eastern Region		
17. Subernarekha Hydel (1st Unit)	1x65=65	Delay in civil works as well as supply of equipment.
18. Patratu Thermal Extension	2x110=220	Delay in starting of civil works and paucity of funds.
19. North Bihar Thermal	1x110=110	Delay in civil works and supply of equipment.
20. Balimela Hydel (3rd to 6th Unit)	4x60=240	Delay in civil works.
North-Eastern Region		
21. Loktak Hydel	2x35=70	Delivery schedule quoted not suitable for commissioning within the fourth Plan.
Total	3037.1 MW	

Up to the end of the third five-year Plan in 1965-66, only 31 inter-state and inter-regional links had been established. In the fourth Plan, with a view to stimulating implementation of inter-state links, the central government decided to provide 100 per cent loan assistance to states to implement more vigorously this programme. Under this arrangement, while funds are advanced by the centre, the executing authorities are the state electricity boards within their areas of supply. However, even this scheme has not apparently proved to be effective. Only three, out of the 38 inter-state links approved during the fourth Plan so far, have been completed. It is estimated that another five lines may be completed by the end of 1973-74. The remaining 30 schemes, therefore, will spill over to the fifth Plan period.

Genesis of shortages

The above account shows that, despite the fall in the tempo of economic activity in the country, the shortages of power have their genesis in (i) slow implementation of the power generation projects; (ii) low utilization of the intalled capacity; and (iii) inadequate inter-state transmission links.

If power shortages are to be obviated during the fifth Plan period, it is imperative that serious attention is paid to the above three factors, besides augmenting the installed capacity to a level which will be marginally in excess of the anticipated demand assessed by realistically correlating the power development programmes with those of industry, agriculture and other sectors consuming power.

The tentative power development programme of the fifth Plan, suggested by the union Ministry of Irrigation and Power, envisages the raising of installed generation capacity to 41.5 million Kw by 1978-79, after retirement of some obsolete plants. According to a statement made recently in Parliament by the union Deputy Minister for Irrigation and Power, this target contains a margin of 10 per cent for slippages in implementation. The net addition to the installed capacity available in 1973-74 is proposed to be 21.8 million Kw. Since capacity in 1973-74 is likely to be of the order of 20.3 million Kw, the addition of 21.8 million Kw during the five years to 1978-79, should raise the capacity to 42.1 million Kw. The difference of 0.6 million Kw between this figure and the target for the fifth Plan (41.5 million Kw) is probably accounted for by the obsolete plants to be retired.

Insufficient target

But will this target be sufficient to meet the power requirements of the economy in 1978-79? The target of 41.5 million Kw capacity presumes a 12.5 per cent annual growth in the demand for power during the five years to 1978-79. The past experience, however, shows that this rate of growth in demand may turn out to be on the low side. The statement of the Deputy Minister for Irrigation and Power in Parliament recently, referred to above, discloses that the growth in demand for electricity from public utilities during the 10 years to 1970-71 has been of the following order:

TABLE VI

Region	Growth rate in demand
	Per cent
Northern	15.7
Western	12.0
Southern	12.0
Eastern	8.0
North-eastern	23.0
All-India average	12.0

The demand during the last decade apparently would have grown at a much faster rate had the economy progressed according to expectations. The overall growth of the economy in the recent past particularly has been much below anticipations—about three or four per cent. If even in the face of this low growth of the economy, the growth in demand for power has been of the order of 12 per cent, a 12.5 per cent annual growth during the five years to 1978-79, when the growth of the economy is expected to be at least 5.5 per cent, should be an underestimate.

If the document on the approach to the fifth Plan is any indication, even the target of 41.5 million Kw power generation capacity, suggested by the union Ministry of Irrigation and Power, may not be finally accepted by the Planning Commission. This document envisaged increase in power consumption from 76.27 billion Kwh in 1973-74 to just 106 billion Kwh in 1978-79. The projected estimate of power potential to be created by 1978-79 is 129.3 billion Kwh, as against 78.3 billion Kwh in 1973-74. The two growth rates are slightly lower than the estimates of the Irrigation and Power Ministry. Should the Planning Commission's estimates be accepted finally, the dearth of power in the country obviously will be more pronounced than would be case if the tentative programme of the union Ministry of Irrigation and Power is implemented.

Lower growth

It is interesting to note that the fifth Plan approach document itself concedes this point. It says: "Rate of growth of electricity (envisaged) is appreciably lower compared to the rate stipulated by the Fuel Policy Committee (156 billion Kwh production in 1978-79), This is partly attributed to the same factors as mentioned in the case of coal. If, however, further detailed analysis justifies a higher rate of growth, suitable modifications can be introduced at appropriate time". Regarding coal, the document says: "The projected rate of growth of coal output from 80 million tonnes in 1973-74 to 141.2 million tonnes in 1978-79 is lower than that given by the Fuel Policy Committee (165 million tonnes). The difference is largely explained by the fact that EPC's recommendations were partly predicted in the 1978-79 targets originally envisaged in the fourth Plan and partly on the assumption that certain policy changes will be carried out. Since the original long-term anticipations of the fourth Plan have been drastically altered as a result of the poor performance of the industrial sector, a downward revision of the coal target would be called for".

Additional capacity

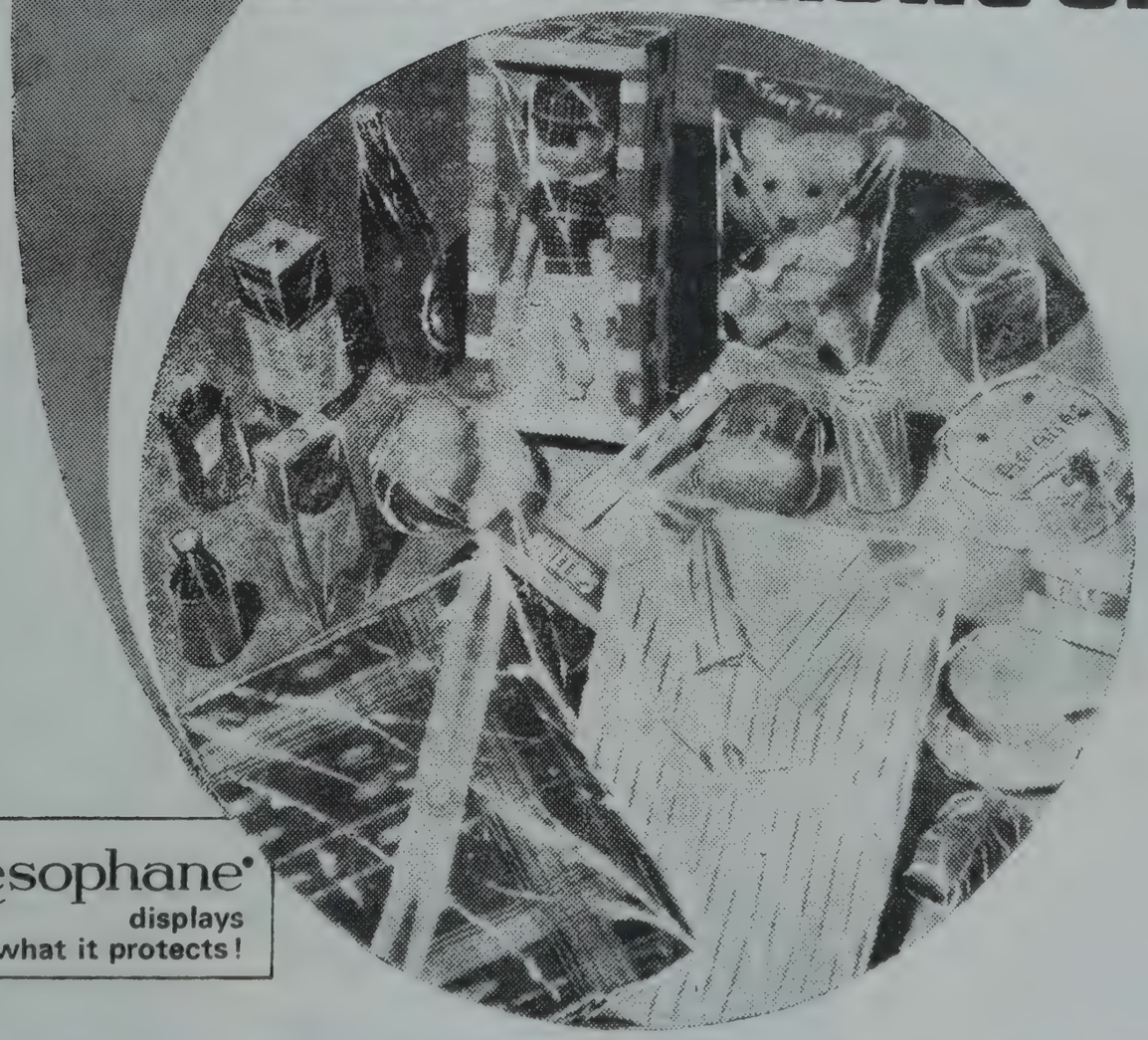
Looking further ahead, the union Ministry of Irrigation and Power has estimated that the requirements of power in 1980-81 would involve the creation of a generating capacity of 48 million Kw. Some margin will also have to be kept for contingencies. So, a total generating capacity of 52 million Kw has been suggested by 1980-81. In view of the long period required for the execution of power projects in our country, some provision will as well have to be made in the fifth Plan for the power development programmes of 1979-80 and 1980-81.

In view of the above analysis, the target for raising the power generation capacity to 41.5 million Kw by 1978-79, suggested by the union Ministry of Irrigation and Power, will have to be revised upwards, say at least by three million Kw. The paucity of resources cannot be put forth as an excuse for keeping the target low. Power has a very adverse effect on production and growth if it falls short of requirements.

Another important issue that has to be faced in planning for power is the selection of the sources of power—coal, water, oil, nuclear fuel, etc. Of the total targeted addition of 21.8 million Kw generation capacity in terms of the Irrigation and Power Ministry's fifth Plan, 11.8 million Kw capacity is to be in thermal plants, 1.4 million Kw in nuclear plants and the balance 8.6 million Kw in hydro-electric units. The electricity generation plants based on oil or natural gas are presum-

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ably included in the thermal generation capacity. But even otherwise, this capacity is very small and the scope of its further development is just marginal in view of our large dependence on imported crude oil and the availability of gas and oil from indigenous resources being limited.

The above pattern of additional electricity generation during the fifth Plan is just in line with the practice followed hitherto — 60 per cent thermal generation and 40 per cent hydro-power. The experience of the recent past should suggest that dependence on hydro-power ought to be somewhat reduced so that the adverse effects of the vagaries of weather can be minimised. The need for augmenting thermal power, including nuclear power, supply in areas which at present are primarily dependent on hydro-power cannot be over-emphasised. As has happened this year, drought in these areas not only pushes up demand for power for irrigation purposes but also simultaneously reduces the generation capacity.

Feasible target

The target of raising the power generation capacity to 41.5 million Kw by 1978-79, as envisaged by the union Ministry of Irrigation and Power, or even to a somewhat higher level, as argued earlier in this piece — however, should not be beyond reach if implementation is efficient. Capacity to the extent of 6·7 million Kw will result from the schemes continuing from the fourth Plan. The balance 15.1 million Kw (out of the Ministry's proposed 21.8 million Kw target) capacity is accounted for by new generation schemes.

The former chairman of Bharat Heavy Electricals Limited, Mr O.S. Murthy, claimed a few months ago that BHEL and Heavy Electricals India Limited (HEIL)—the two public sector undertakings manufacturing heavy electrical equipment—between themselves can fully cater for the requirements of the power generation programme of the fifth Plan, provided, of course, placement of orders is well in time and properly phased out. This view, however, is not shared by the state electricity boards. In view of these conflicting opnions, it is imperative that a realistic estimate of the availability of equipment from indigenous sources is made expeditiously so that, if necessary, imports can be arranged in a judicious manner.

Imports of power generation equipment during the fifth Plan, in fact, need not be frowned upon as something going against the policy of self-reliance in the setting up of power projects. Self-reliance only implies that the country should have full competence for fabricating and putting up projects. This competence is well proven. Bharat Heavy Electricals, as a matter of fact, is even assisting Malaysia in putting up a power plant there. Self-reliance should not be confused with self-sufficiency. What the government has to decide is whether we should, in the name of self-reliance, depend only on indigenous equipment for implementing the fifth Plan power program-



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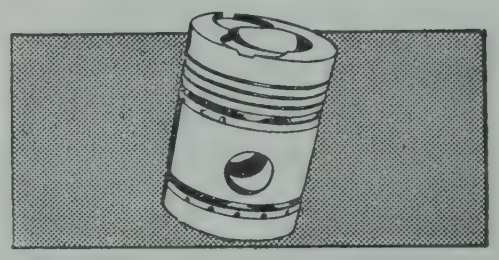
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mes or should we try to achieve the goal of raising power generation capacity to meet the anticipated requirements according to the schedule.

It is, of course, encouraging to note that the indigenous manufacturers of power equipment have done some advance planning on their own. If the study suggested above shows that as a result of this advance planning on the part of indigenous manufacturers, they will be able to meet the requirements of the fifth Plan, it will be good. But there should be no inhibition on the part of the government to import equipment if this study reveals that indigenous availability of equipment will not be enough.

Advisable step

The imports of a couple of power plants, of course, may be advisable even otherwise. Our manufacturers are as yet capable of producing equipment only for 200 Mw plants, although studies have been initiated for producing 500 Mw sets. But in the advanced countries, plants for 750 to 1,000 Mw are being produced. The imports of a couple of these giant-size plants can help in furthering the research and development effort in the designing of power projects.

In order that indigenous facilities for the manufacture of power plants may be fully utilised, it is necessary that the problems of indigenous manufacturers are attended to on an emergency basis. These manufacturers suffer from various bottlenecks such as difficulties in procuring castings, forgings and some critical components. Their other limitations are stated to be inadequacy of testing facilities for turbo-generators, lack of adequate capacity for manufacturing blades to suit different types of turbines, etc. Proper phasing out of orders on the indigenous manufacturers, as observed earlier, is also a must.

In the interest of attaining the fifth Plan power target according to schedule, it is also imperative that the central government should step in a much bigger way than has been the case hitherto. The fifth Plan target envisage addition to installed capacity at a rate of over four million Kw per annum. The maximum additional capacity in a year achieved so far has been just about 50 per cent of this. Normally, the addition has been 1 to 1.5 million Kw per year. The magnitude of the programmes to be implemented during the fifth Plan should suggest that it will be difficult for the states alone to implement all the projects. The centre, therefore, will have to step in to implement some of the new projects, especially those which are of regional importance and character.

There is also the problem of co-ordination between the requirements of the new projects to be set up — the requirements of plant and equipment, men and materials. Unless there is a central agency to coordinate these requirements, development may be imbalanced. For effective coordination, the technical organisation available in the Central Water and Power Commission may have to be reorganised and strengthened to cope up with the increased consultancy engineering work.

Necessary intervention

Centre's intervention in the field of power transmission is all the more necessary. Voluntary co-operation among states has not proved to be fruitful hitherto. The construction of the inter-state links, as has been pointed out earlier, leaves much to be desired. If the plans to build "power factories" at coal pitheads — Dr Rao thus styles the giant thermal plants to be put up at pitheads — are to prove a success, the strengthening of the transmission system and interlinking them will be of utmost importance. The construction of big thermal stations in the coal fields will obviate the necessity to haul coal over wide distances which would be required if thermal plants are situated near the consuming centres. The strengthening and expeditious inter-linking of the state electricity grids into regional grids initially and into

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a national grid ultimately will assist in keeping the addition to installed generation capacity low, as surpluses from some states could then be easily transferred to the deficit areas. The surpluses may be from giant thermal plants, hydro-power projects or nuclear power stations. It is encouraging to note that a beginning has already been made to have high-load transmission lines (400 KV). Appropriate load despatching techniques are also being adopted.

Along with integrating the state electricity grids into a national grid, efforts need to be made to reduce the transmission losses, which in some areas, particularly in the southern and northern regions, are stated to be very high. The all-India average loss of power in transmission has been estimated at about 16 per cent, as against 8—10 per cent in Europe. It is understood that even one per cent reduction in transmission loss would raise revenue by as much as five crores of rupees.

One of the primary reasons for high transmission losses in our country is that power is made to travel to the countryside even if the requirements there are low. If the green revolution has to be fostered, there is no escape from rapid rural electrification. But surely efforts ought to be made to increase the power demand in villages to economic levels through a well-coordinated programme of progressive industrialisation of the rural areas. This incidentally will help in limiting congestion in cities which creates a good number of problems. As Table VII shows, the rural electrification programme has made significant progress. But the benefits accruing from it have as yet been primarily in the agricultural field. Concerted attempts at extending industrialization to rural areas can yield rich dividend.

With a view to ending power shortages, the bulk consumers in the industrial sector may also be induced to set up their captive plants. It will be appropriate to exempt these plants from the electricity duty which is being levied in some states, especially when the states do not lend a helping hand in the financing of captive plants.

There is also good scope for augmenting the power generation capacity in the private sector. In fact, there is a clamour for the expansion of this capacity, particularly in West Bengal. The expansion of capacity in the private sector, of course, would depend largely on how far the government allows an upward revision of their tariffs so that finances at least to some extent can be raised from the internal resources of these plants. The private sector plants also need modernisation. The present

TABLE VII

Power Development in Rural Areas

Year	Installed generating capacity (Mill kw)	No. of villages electrified (000)	No. of pump-sets energised (000)
1950-51	2.31	3.5	19
1955-56	3.42	9.6	58
1960-61	5.65	26.0	192
1965-66	10.17	48.0	513
1969-70	15.50	84.0	1370
1970-71	16.40	105.0	1600
1971-72	17.70	123.0	1926
1973-74 (Target)	23.00	166.0	2310

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operations can be improved considerably if their maintenance requirements, both in terms of finances and spares and components, are appropriately met.

The proposed revision of the Electricity Act of 1948 ought to provide for some expansion of power generation capacity in the private sector, for the fifth Plan requirements of power are, indeed, very large. The private sector can supplement the efforts of the state in ending power shortages in the country.

A few words may now be said about the electricity charges prevalent in the different parts of the country today. As Table VIII shows, tariffs are not uniform and differ widely as between different states or within the same state, depending upon whether the supply is made from hydro-electric or thermal stations. As far as the industrial sector is concerned, there is generally a two-tier tariff system under which a fixed monthly charge is levied on the basis of a certain estimated maximum demand, supplemented by a

TABLE VIII-A

Average Electricity Rates and Duties for Agriculture and Small and Medium Industries

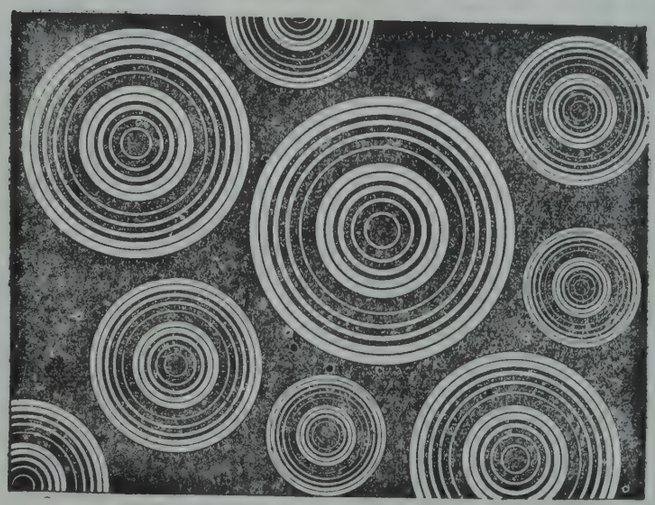
(As on 31st March, 1972)

(Average Rate in P/kWh)

Supplier	Agriculture (10 HP, 15% L.F.) 817 KWh/month			Small Industry (10 KW, 20% L.F.) 1460 KWh/month			Medium Industry (50 KW, 30% L.F.) 10950 KWh/month		
	Rate	Duty	Total	Rate	Duty	Total	Rate	Duty	Total
	1	2	3	4	5	6	7	8	9
A. State Electricity Boards									
1. Andhra Pradesh	10.45	..	10.45	20.68	..	20.68	20.09	..	20.09
2. Assam	14.00	1.00	15.00	17.00	1.00	17.00	15.35	1.00	16.35
3. Bihar	18.00	1.00	19.00	20.00	1.00	21.00	20.00	1.00	21.00
4. Gujarat	15.21	1.20	16.41	16.86	1.60	18.46	16.41	1.60	18.08
5. Haryana	15.00	..	15.00	12.80	1.60	14.40	11.04	1.38	12.42
6. Himachal Pradesh	9.61	..	9.61	10.34	..	10.34	9.92	..	9.92
7. Kerala	9.00	0.90	9.90	15.00	1.50	16.50	14.18	1.42	15.60
8. Madhya Pradesh	13.00	..	13.00	15.50	1.00	16.50	15.50	1.00	16.50
9. Maharashtra	18.00	..	18.00	18.00	1.00	19.00	18.00	1.00	19.00
10. Mysore	11.00	1.00	12.00	12.00	4.50	16.50	12.50	4.50	16.50
11. Orissa:(a) Hydro	10.00	1.80	11.80	14.00	2.10	16.10	14.00	2.10	16.10
(b) Diesel	22.00	3.75	25.75	22.00	3.30	25.30	22.00	3.30	25.30
12. Punjab	9.79	...	9.79	10.67	2.13	12.80	14.53	2.30	11.60
13. Rajasthan	13.30	..	13.30	14.53	1.00	15.53	14.53	1.00	15.53
14. Tamil Nadu	12.00	..	12.00	18.00	..	18.00	18.00	..	18.00
15. Uttar Pradesh	21.67	..	21.67	13.00	1.00	19.00	17.01	1.00	18.01
16. West Bengal	15.22	3.00	18.22	18.00	1.50	19.50	15.92*	1.50	17.42
B. Union Territories/State Govt. Electricity Departments									
17. Delhi	15.00	1.00	16.00	15.00	1.00	16.00	15.00	1.00	16.00
18. Jammu & Kashmir:	10.00	1.50	11.50						
(a) Jammu				9.67	1.45	11.12	8.15	1.22	9.37
(b) Kashmir				7.67	1.15	8.82	8.15	0.92	7.07
C. Places Served by Licensees									
19. Ahmedabad	15.20	1.20	16.40	12.78	1.60	14.38	16.16*	1.60	17.76
20. Bombay (a) B.E.S.T.	..	..	..	14.00	1.00	15.00	14.00	1.00	15.00
(b) Tatas	(No Low Tension Tariffs)			(No Low Tension Tariffs)			(No low Tension Tariffs)		
21. Calcutta	..	..	..	15.58	1.50	17.80	14.83	1.50	16.33
D. Damodar Valley Corporation									
(a) Bihar Area	(No Low Tension Tariffs)			(No Low Tension Tariffs)			(No Low Tension Tariffs)		
(b) West Bengal Area	,,	,,		,,	,,		,,	,,	

*Including fuel surcharge.

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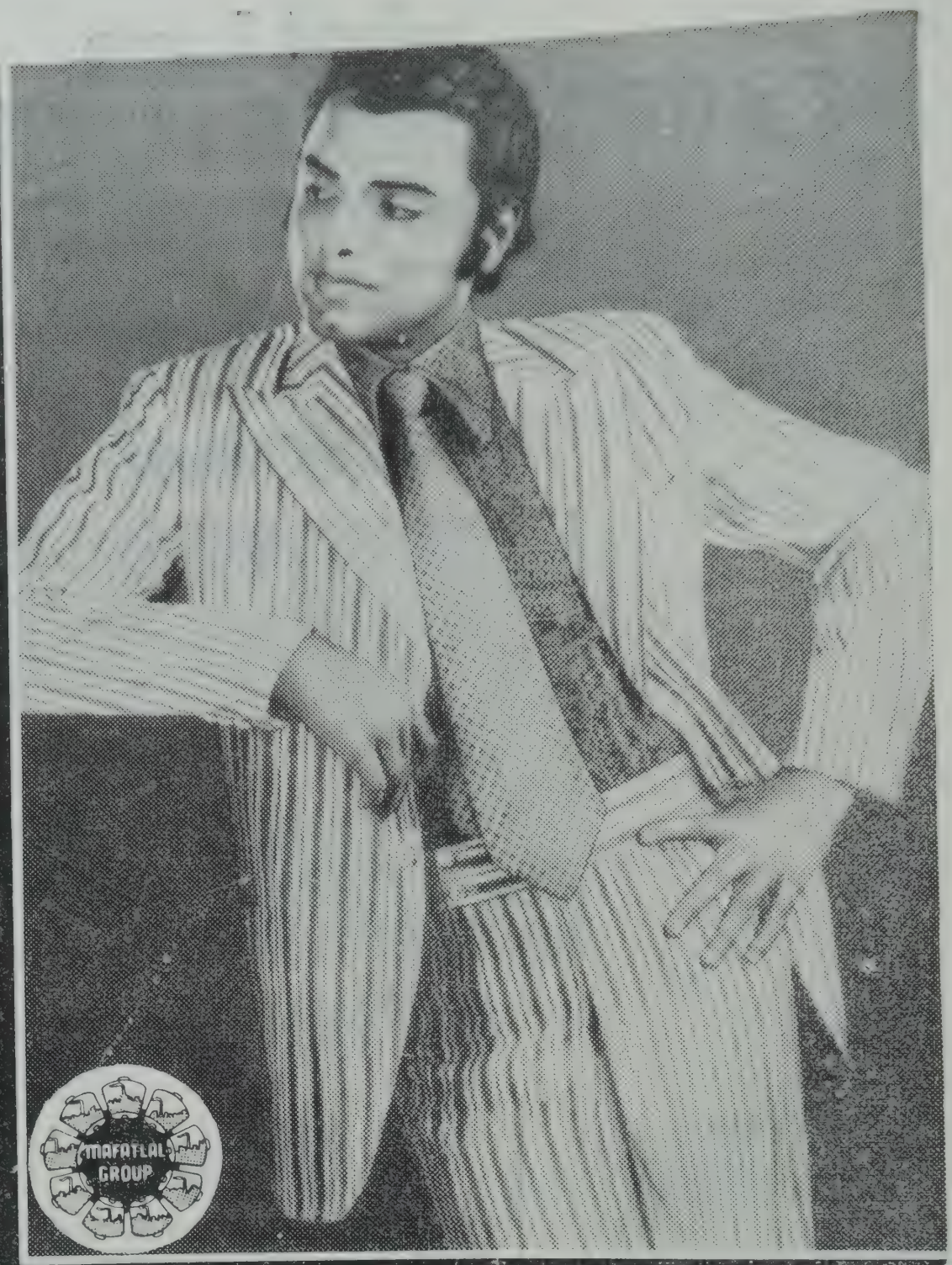
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charge per Kwh of electricity actually consumed. The high-load users, thus, are given some benefit. Different industrial consumers — large, medium and heavy industries — are sometimes charged for their electricity requirements at varying rates even otherwise. Electricity supplies to agricultural users are also sometimes made available at concessional rates; so also to small-scale entrepreneurs.

Uniformity in power rates all over the country is not feasible in the present circumstances due to the differing costs of production in different states. We can move towards that end only when the national grid is established. But even then some concessions may have to be given for establishment of industries in the backward areas of the country. The need for providing power at economic prices to the power-intensive industries such as aluminium, cement, electrolytic production of caustic soda, nitrogenous fertilizers, copper, etc., cannot be over-emphasised. Unless these industries get power on terms economic to them, they cannot be developed on sound lines.

This raises the question of funds for the development of power resources. Most of the state electricity boards at present are in an unhealthy state of affairs. Their financial position, however, ought to be strengthened through improvement in utilization of their capacities and reducing generation costs, instead of a sharp general upward revision in tariffs. Expeditious implementation of projects in an economy afflicted by inflationary tendencies can help bring down generation costs quite considerably.

A reference may now be made here to a proposal being talked about in official circles for creating about two million Kw of pumped storage power capacity by the end of this decade. If this capacity is to result as a by-product from the proposed national grid for irrigation, there can be no objection to it. But if this capacity is to be established oherwise, it is, indeed, a costly proposition. The funds

TABLE VIII—B

Average Electricity Rates and Duties for Large and Heavy Industries

Supplier	Large Industry (250 KW, 40% L.F. 73,000 KWh/month			Large Industry (1000 KW, 50% L.F.) 365,000 KWh/month)			Heavy Industry (5000 KW, 60% L.F.) 2190,000 KWh/month		
	Rate	Duty	Total	Rate	Duty	Total	Rate	Duty	Total
	1	2	3	4	5	6	7	8	9
A. State Electricity Boards									
1. Andhra Pradesh	17.38	..	17.38	15.49	..	15.49	12.17	..	12.17
2. Assam	13.50	0.38	13.88	10.17	0.08	10.26	8.33	0.01	8.34
3. Bihar	15.09*	1.00	16.09	13.96*	1.00	14.96	13.21*	1.00	14.21
4. Gujarat	14.23	1.60	15.83	12.95	1.60	14.55	10.72*	1.60	12.32
5. Haryana	9.14	1.52	10.66	7.91	1.32	9.23	6.72	1.12	7.84
6. Himachal Pradesh	8.12	..	8.12	7.38	..	7.38	6.68	..	6.68
7. Kerala	11.35	2.27	13.62	8.30	1.66	9.96	8.10	1.62	9.72
8. Madhya Pradesh	13.06*	1.00	14.06	12.10*	1.00	13.10	10.95*	1.00	11.95
9. Maharashtra: (a) Hydro	10.59	1.00	11.59	9.63	1.00	10.63	8.41	1.00	9.41
(b) Steam	12.67*	1.00	13.67*	11.41	10.00	12.41	9.59	1.00	10.59
10. Mysore	7.93	2.25	10.18	6.79	2.25	9.04	5.76	2.25	8.01
11. Orissa (Hydro)	10.00	1.50	11.50	10.60	1.50	11.50	9.79	1.47	11.26
12. Punjab	7.62	1.91	9.53	6.59	1.65	8.24	5.60	1.40	7.00
13. Rajasthan (Hydro & Steam)	10.24*	1.00	11.24	9.39*	1.00	10.29	8.40*	1.00	9.40
14. Tamil Nadu	17.51	0.19	17.70	16.17	0.18	16.35	14.63	0.16	14.79
15. Uttar Pradesh	13.72*	1.00	14.72	12.25*	1.00	13.25	10.69*	1.00	11.69
16. West Bengal	13.15*	1.50	14.65	11.62*	1.50	13.12	10.80	1.50	12.30
B. Union Territories/State Govt. Electricity Departments									
17. Delhi	14.02*	1.00	15.02	12.85*	1.00	13.85	11.49	1.00	12.49
18. J & K: (a) Jammu	5.61	0.84	6.45	5.29	0.79	6.08	5.08	0.76	5.84
(b) Kashmir	4.11	0.62	4.73	3.79	0.57	4.36	3.68	0.54	4.12
C. Places Served by Licensees									
19. Ahmedabad	13.29*	1.60	14.89	12.42*	1.60	14.02	11.69*	1.60	13.29
20. Bombay: (a) B.E.S.T.	10.28*	1.00	11.38	9.49	1.00	10.49	8.56	1.00	9.56
(b) Tatas	10.18*	1.00	11.18	9.27*	1.00	10.27	8.23	1.00	9.23
21. Calcutta	13.63*	1.50	15.13	12.56*	1.50	14.06	11.42*	1.50	12.92
D. Damodar Valley Corporation									
(a) Bihar Area	9.13*	1.00	10.13	8.36*	1.00	9.66	7.84*	1.00	8.84
(b) West Bengal Area	9.13*	1.50	10.63	8.36*	1.50	9.86	7.84*	1.50	9.34

*including fuel surcharge

to be spent on it can better be utilised to finance hydro-electricity generation in such areas a Himachal Pradesh which have large potential yet to be tapped. Electricity from these areas can be fed into the national power grid for the benefit of the country as a whole.

A brief reference has been made earlier in this piece to the development of nuclear power in our country. But in view of certain advantages which this type of energy has over the other sources of power, and in the long-term interests of the country, this subject needs to be dwelt upon at some length.

The major advantages of going in for nuclear energy are: (i) it is the best power for base loads (ii) it is practically independent of geographical factors, the only requirement being that there should be a reasonably good water supply; (iii) it does not entail combustion problems; (iv) fuel transportation networks and large storage facilities are not required for a nuclear project and (v) if low cost nuclear power units are planned imaginatively, large power consuming complexes built around them can provide the much needed inputs to the country.

Taking into consideration the power requirements of the two terminal decades of the present century, which can be expected to grow at a very rapid pace, greater reliance on nuclear energy after 1980-81 will be inevitable. This makes it imperative that we should expeditiously develop competence to set up nuclear power stations.

We, indeed, made a good beginning in the development of nuclar energy soon after commercial exploitation of this energy started in the advanced countries. The Atomic Energy Commission suggested as early as 1954 that by 1970-71, we should have installed capacity to produce as much as 600 Mwe, going up to 3,000 Mwe in 1975-76 and 8,000 Mwe by 1980-81. But with the passage of time, these plans turned out to be too ambitious. In 1965, the Energy Survey Committee recommended that while the 600 Mwe target for 1970-71 should be kept intact, the 1975-76 and 1980-81 targets should be scaled down to 2,000 Mwe and 5,000 Mwe, respectively. Even these targets were reduced in 1968 when the Atomic Energy Commission proposed 400 Mwe capacity for 1970-71, 1,000 Mwe for 1975-76 and 2,700 Mwe by 1978-79.

We have now been working to the 1968 revised targets. But the implementation of the nuclear projects has considerably lagged behind. Of the three schemes sanctioned so far, only one—at Tarapore in Maharashtra — with capacity of 420 Mwe is in production as yet.

The first stage of the second project—the Ranapratapsagar project in Rajasthan—which is to have 200 Mwe capacity in this stage, was to be commissioned in 1971. It, however, attained criticality only in August this year. Power from this unit is to start flowing steadily from next month. The second unit of this project (200 Mwe), which was originally anticipated to be completed in 1972, is now expected to attain criticality in 1973. The setting up of the third atomic power station at Kalpakkam (Madras) has similarly got delayed. The first unit of this project (235 Mwe) is now anticipated to become critical in 1976, instead of the original schedule of commissioning it in 1973-74. The second unit (of the same capacity as the first unit) at Kalpakkam is now expected to go on stream some time in 1977; it was envisaged to be brought into operation by about 1976. According to present expectations, the target of installation of 2,700 Mwe capacity atomic power by 1980-81 is now likely to be achieved only in 1984. By then, three more projects would have been set up. The site for the fourth nuclear power sta-

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tion has already been selected at Narora in Uttar Pradesh The first unit of this plant, with a capacity of 235 Mwe, is expected to be commissioned in 1980. The second unit of similar capacity would come up soon thereafter. The fifth and the sixth nuclear stations are programmed to be completed in 1982 and 1984, respectively.

Several factors contributed to the slip up on the nuclear power front in the early stages which necessitated scaling down of the tentative targets for 1970-71, 1975-76 and 1980-81 suggested by the Atomic Energy Commission in 1954. These included: (i) lack of adequate national commitment to a long-range programme; (ii) difficulties in achieving effective coordination of training and personnel needs; (iii) inadequacies of research and development facilities; and (iv) the absence of complex industrial infrastrcuture to back up any amibitious programme. The Tarapore and Ranapratapsagar projects were undertaken with foreign collaboration. The inherent need for external financing and agreement on international safeguards involved protracted negotiations, leading to major delays in the planning stage.

That sufficient national commitment is now there to the development of nuclear power should be evident from the fact that official circles are now talking of raising the nuclear generation capacity to as much as 10,500 Mwe by 1991-92 and to 30 per cent of the total power requirements by the turn of the current century. This is considered essential because of (i) lack of adequate crude oil resources inhibiting any significant recourse to petroleum as source of power, and (ii) a sizeable area of the country being deficient in both coal and water resources. According to a perspective planning study made by the Department of Atomic Energy, nuclear plants are economic in the northern, western and southern regions. The Ranapratapsagar, Tarapore and Kalpakkam projects are already located in these three regions. The site for another plant at Narora in Uttar Pradesh has been recently selected in the northern region.

The practical problems of nuclear power generation should be expected to be completely mastered by our technical personnel by the end of the current decade by which time, along with the Tarapore station Ranapratapsagar and Kalpakkam projects would be in operation. The project at Kalpakkam is being put up without any outside help. With the establishment of this project, our own competence to build nuclear power plants should be fully proved.

There are practical problems at present in the areas of fabrication of nuclear fuel (uranium), maintenance of reactors while they are in operation, and integration of nuclear stations into the existing power networks, particularly were several states and organisations are involved. So far as the problems in the first two categories are concerned, the remedy lies in improving the designing and production techniques. The increased central intervention in the field of power transmission should obviate the problems concerning integration of nuclear stations in the existing power networks in the country. Devising of methods to control radioacitivity should help in maintenance of atomic reactors even when they are in operation.

The technicians may be depended upon to take care of the practical problems of running nuclear power projects. What the government has to do is to take concerted measures for building up the necessary industrial infrastructure and training facilities for technicians for supporting a rapid nuclear power generation programme, so that we are able to adequately meet the power requirements of the two terminal decades of the present century. With production costs going up in the case of alternative sources of energy, the

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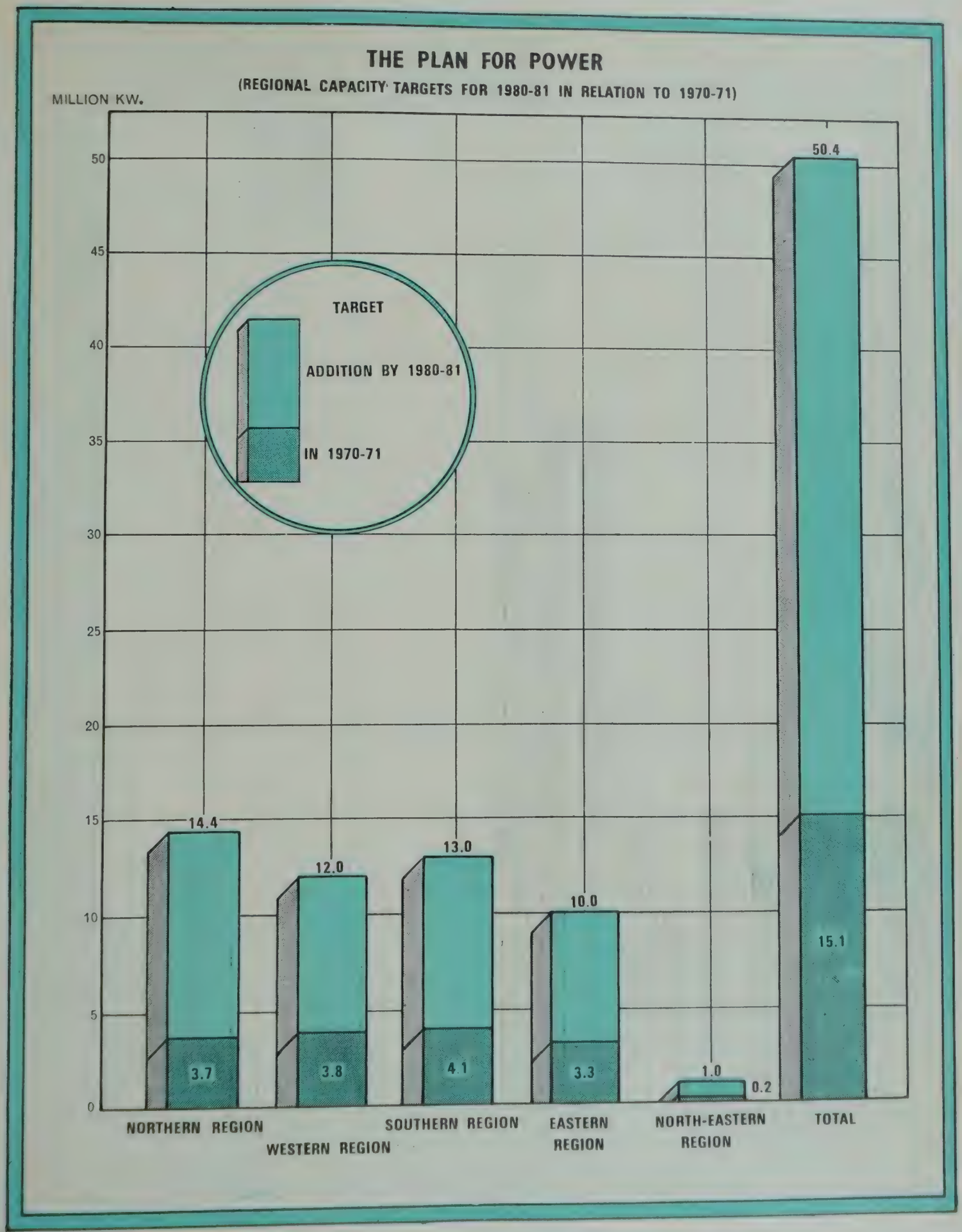
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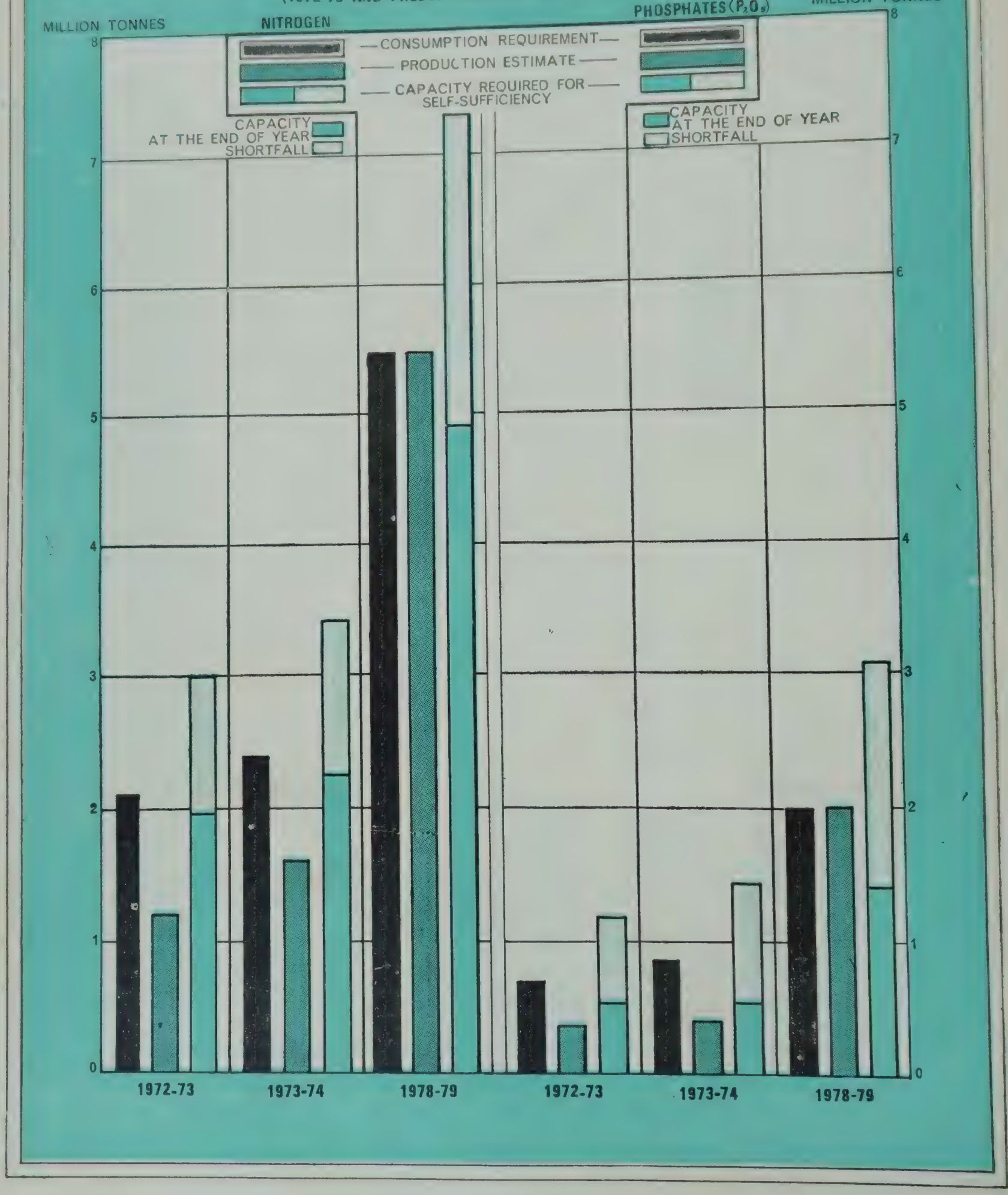
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THE PLAN FOR POWER
(REGIONAL CAPACITY TARGETS FOR 1980-81 IN RELATION TO 1970-71)
MILLION KW.
50
45
40
35
30
25
20
15
10
5
0
TARGET
ADDITION BY 1980-81
IN 1970-71
14.4
3.7
12.0
3.8
13.0
4.1
10.0
3.3
1.0
0.2
50.4
15.1
NORTHERN REGION
WESTERN REGION
SOUTHERN REGION
EASTERN REGION
NORTH-EASTERN REGION
TOTAL

SHORTFALLS IN FERTILIZER CAPACITY

(1972-73 AND PROJECTIONS FOR 1973-74 AND 1978-79)



difference in the cost of power generation from these sources and the cost of producing nuclear energy is being rapidly bridged. In the areas situated far away from the main coal belt in the country, nuclear power generation is already considered competitive, provided the plants are of about 400 Mwe capacity. With an increase to this capacity, their competitive position should improve further. The nuclear power technology should as well improve considerably in none-too-distant a future. There are reports of a major breakthrough having already been achieved recently in nuclear power generation in the Soviet Union.

Oil: marking time

COMING TO oil, what sort of picture it is that we encounter today?

Our present requirements of petroleum products, estimated around 21.18 million tonnes, are being met from the indigenous refining capacity to the extent of 17.27 million tonnes and through imports to the order of 3.9 million tonnes. If, however, note is taken of the facts that demand has been considerably depressed during the past several years through the lever of fiscal policy and that our exports of surplus petroleum products have steadily gone down from about 1.057 million tonnes in 1967 to less than one-third this quantity this year, whereas imports of deficit products have gone up considerably from slightly less than a million tonnes during this period, the developing situation of shortages can be better appreciated.

Lower output

To clear the position further, it, of course, needs to be pointed out that the crude oil throughput at the two private sector refineries at Trombay (Esso and Burmah Shell) and one at Visakhapatnan (Caltex) this year has been lower by about 9.2 per cent compared to last year due to non-release of foreign exchange by the government to the extent asked for by the refining authorities in view of the uptrend in crude oil prices in west Asia following the agreement of the international oil companies with the oil producing and exporting countries (OPEC). But even if allowance is made for the lower crude throughput at the Trombay and Visakhapatnam refineries, it is irresistible to infer that the refining capacity in the country has failed to keep pace with the growth in demand for petroleum products, despite the demand being curbed severely through stepping up fiscal levies. There has also been some impact of the slow growth of the economy on the requirements of petroleum products. An idea of the fall in the rate of growth in the consumption of petroleum products can be had from the factor that the fourth Plan estimates had placed the demand in 1973-74 around 26 million tonnes. Surely, this estimate now is on the high side.

Total capacity

Currently, the total refining capacity in the country is about 20 million tonnes (excluding nearly two million tonnes capacity in the Trombay refineries of Esso and Burmah Shell, which is said to have accrued through improvements in operational efficiency and breaking of bottlenecks by incurring only a small expenditure, but which the two companies are not allowed to operate). The maximum addition to capacity which can be expected by the end of the fourth Plan is 3.5 million tonnes — 2.5 million tonnes at Haldia (new refinery) and one million tonnes at Cochin (expansion). The total "authorised" installed capacity thus, should go up to about 23.5 million tonnes by 1973-74. This will show a shortfall of about 4.5 million tonnes from the fourth Plan target. (To meet a demand of 26 million tonnes petroleum products from indigenous sources, the refining capacity needed was nearly 28 million tonnes). The shortfall is on account of fact that the establishment of the north-west refinery (the location of which has now been finalised at Mathura) has been delayed inordinately.

In view of the inordinate delay in the setting up of the Mathura refinery, we will have to depend upon imports of petroleum products to meet even the less-than-expected demand in 1973-74, unless the government shows pragmatism in allowing the Esso and Burmah Shell refineries to operate not only to their last year's throughputs (by releasing adequate foreign exchange for crude imports at the prevailing prices in west Asia) but also to the additional about two million tonnes capacity which these companies claim to have. The Haldia and the expanded Cochin refineries obviously cannot be expected to run to full capacities soon after being commissioned.

Basic decision

A final decision of Esso and Burmah Shell being allowed to operate their refineries to the maximum throughputs on a regular basis apparently would involve more basic decisions by the government on their proposals for equity participation by the state. Nevertheless, *ad hoc* permission can be granted meanwhile since, whatever the future set up of these refineries may be, an immediate expansion of their output is clearly in the national interest. At the same time, the government surely ought to expedite its decision-making processes with regard to a final settlement since such a settlement would pave the way for further expansion of the oil companies' refineries at a cost which would be much less than the investment involved in setting up new refineries.

A near-balance between the demand for petroleum products and the refining capacity in the country may, of course, be achieved by 1975-76, even if the two million tonnes capacity lying idle with Esso and Burmah Shell is not utilised. By that year, the Koyali refinery would have been expanded to 5/5.5 million tonnes—an addition of 1.5/2.0 million tonnes — and that at Barauni to 3.4 million tonnes—by 1.2 million tonnes. An additional one million tonnes capacity would have accrued from the Bongaigaon refinery in Assam which was sanctioned about a year and a half ago. Some additional output can also be arranged through the expansion of the Madras and Haldia refineries, should it be considered necessary.

Growing gap

From 1975-76 onwards till the Mathura refinery comes up with a capacity of six million tonnes at the earliest by 1979, according to competent observers—even though the government expects it to go on stream in 1976—the gap between the demand for petroleum products and the refining capacity in the country would grow again.

This should suggest that our refining capacity will only keep on trailing behind the estimated requirements of petroleum products during the rest of the current decade. If the demand grows as fast as is envisaged—to 40 million tonnes by 1980-81—the refining capacity even after the establishment of the Mathura refinery, may fall, short of requirements by about four million tonnes. We need to guard against this eventuality, if we are not to unnecessarily enlarge our foreign exchange outgo on imports of refined products. Occasionally some heavy petroleum products may be available at rates cheaper than crude oil, as happened in the case of furnace oil about a year ago. But these are exceptions to the rule. Furnace oil then was available at a discount presumably because of mild winter in Europe. Its prices are said to have gone up again. As a rule, crude oil imports are always cheaper than imports of petroleum products. We, therefore, should always aim at balancing our refining capacity with the demand for petroleum products, and should depend on only marginal imports of refined products.

The Achilles' heel of our

oil industry, however, is the limited potential for crude oil from indigenous sources. The indigenous production of crude oil this year (1972) is expected to be just about 7.27 million tonnes, as against the requirements of 19.59 million tonnes. Thus, 12.32 million tonnes of crude oil will be imported this year—slightly over 60 per cent of the requirements. These imports are estimated to cost as much as Rs 145.6 crores.

Even though by 1973-74, we may not require as much crude oil as was envisaged at the time of launching the fourth Plan—nearly 30 million tonnes— our dependence on imported crude is bound to go up to the extent refining capacity is available and utilised. This is because indigenous production is not likely to improve correspondingly. In terms of value, these imports will be much higher owing to the uptrend in crude prices in west Asia. Already, as Table IX shows, since November, 1970, the private oil companies operating in this country have sought upward revision in crude prices five times, aggregating to 57.7 cents per barrel. They, of course, have been allowed increases to a much less extent, for the government does not agree that the oil companies should pass on the entire incidence by increased taxation in west Asia to the consumers of this oil like us. By the end of 1973-74., at least two more upward thrusts in the prices of crude (in the form of increased taxation) are expected in terms of the agreement reached between the oil producing and exporting countries and the international oil companies. The last increase under the present arrangement between the OPEC governments and the oil companies will come in 1975.

Some relief in the crude oil import bill may accrue when the Barauni refinery, after some redesigning, is able to refine Rostam crude from the concessions of the Oil and Natural Gas Commission (ONGC) in Iran — at present this oil is being sold in the world market because of its high sulphur content and other characteristics. But this relief cannot be much, as the quantity involved is not more than two million tonnes a year.

Unless we step up our oil exploration programme considerably, our import bill for petroleum is bound to grow at an alarming rate, even if we match our refining capacity with the growth in demand and thus save to some extent the expenditure we are incurring on imports of finished products. Incidentally, imports of refined petroleum products this year are likely to cost Rs 68.5 crores. Together with the cost of bringing in crude oil (Rs 145.8 crores), the total petroleum imports bill this year is expected to be in the neighbourhood of Rs 214 crores. Till about four years ago, this expenditure used to be of the order of about Rs 100 crores.

On a conservative estimate, the demand for petroleum products by 1978-79 is anticipated to grow to 34/35 million tonnes and to about 40 million tonnes by 1980-81. This will call for a refining capacity of about 36/37 million tonnes by 1978-79 and 43 million tonnes by 1980-81. The requirements of crude oil will, thus, be of the order of at least 38.5 million tonnes in 1978-79 and 45 million tonnes by 1980-81. According to the fifth Plan estimates, the output of crude from the presently known indigenous reserves, which are estimated around 130 million tonnes, may go up by 1978-79 to only 7.77 million tonnes. Including Rostam crude, the total availability of crude oil from our own resources may not exceed 10 million tonnes by the end of the fifth Plan. The Ministry of Petroleum is stated to be launching a crash programme for raising production from the presently known sources within the country to about 11 million tonnes by 1978 and 16 million tonnes by 1983. Even if this crash programme is fully implemented according to schedule, imports of crude oil

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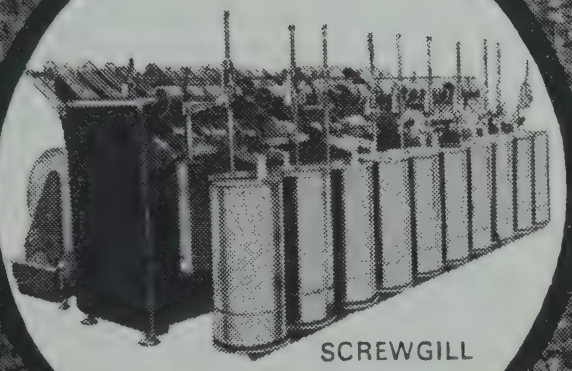
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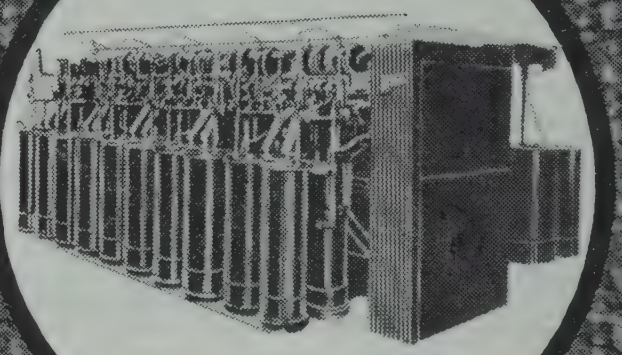
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should not be less than 25 million tonnes at the end of the fifth Plan. The prospect is frightening indeed. The import bill on crude oil, thus, may exceed Rs 400 crores a year in the course of just seven years from now.

In view of the sharp rise expected in the import bill for crude oil and refined petroleum products in the years to come, the demand apparently has to be contained as far as possible. This rules out use of crude or furnace oil for power generation on any significant scale. But to keep power transmission cost low as well as to alleviate the distress caused to agriculturists by power shortages, the recourse to the installation of diesel sets need not be unduly curbed.

It, surely, is a matter of deep concern that after the Gujarat discoveries till the mid-sixties, no worthwhile new crude reserves have been found out despite a good deal of exploration effort in several parts of the country—in the Indo-Gangetic plain, in West Bengal, in Rajasthan, the Cauvery Basin and in Aliabet area in the Rann of Kutch. The fresh discoveries in the Assam area —the other state producing oil at present—too have been negligible. The high hopes raised around 1965-66 of the likely large discovery of oil in what is known as the Bombay High— offshore west coast— have yet to materialise thanks to the government's dilly-dallying policy on the question of how this exploration work should be undertaken — through having a foreign collaboration with equity participation or the public sector agency,the Oil and Natural Gas Commission, doing the job on ownership-assisted basis. Following the decision to go in for the latter alternative, a floating platform has been got built in Japan. Drilling operation in the Bombay High area, therefore, may start soon.

The results of this exploration effort may be available in a couple of years. If success is achieved, commercial exploitation may be expected in the second half of the fifth Plan. Had Tennico's proposal for this venture—which was for minority participation with the government of India and which envisaged initial expenditure on exploration till the discovery of oil only by the foreign collaborators, and also the imparting of training to our technicians—been accepted, the exploration of Bombay

TABLE IX

Price Revisions Sought by Private Oil Companies

Date from which increase in price of crude sought	Extent of increase	Remarks
Nov., 1970	7 cents/bbl.	Due to a corresponding increase in tax rate.
Feb., 1971	27 cents/bbl	Due to Tehran Agreement.
June, 1971	7 cents/bbl	
July, 1971	5 cents/bbl	Due to reported hardening of market prices.
Jan. 1972	11.7 cents/bbl	Due to Geneva Agreement after the devaluation of the dollar.

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High would have been completed by now.

The oil exploration effort has been also hampered a great deal by the dogmatic policy of the government to entrust all future work in this field to the ONGC, and also due to such factors as delays in the release of foreign exchange for the import of sophisticated equipment required for deep drilling. As the Malaviya Committee has reported, the working of the ONGC has left much to be desired. It is needless to go into the details of this committee's report here; these are too well known by now. Suffice it to say that a drastic overhaul of the ONGC is necessary if it is to deliver goods expeditiously. The government itself has been responsible to a great extent for undermining discipline in the ONGC, for it has kept it under the charge of an acting chairman for nearly two years. This is hardly conducive to successful operations even though the acting chairman is an eminent personality in the oil industry.

Matter of regret

It is further a matter of regret that the government decision on the reorganization of the ONGC in the light of the Malviya Committee's report is yet to be taken, although this report was submitted over four months ago. It is anybody's guess how much more time will go by when the decision is arrived at.

Apart from streamlining the operations of the ONGC, it is imperative that our oil exploration policy should be made flexible. Even the Malaviya Committee has veered round to the necessity of having foreign participation in oil exploration in the country. It considers this important so that our technicians can be exposed to the newest geological and geophysical concepts developed elsewhere in the world. According to the Malaviya Committee, the principle which should guide foreign participation in oil exploration here should be the reciprocity on the part of the foreign partners to associate India in their ventures outside India.

In view of the above suggestion of the Malaviya Committee, it is difficult to see why the services of Oil India, which is a 50:50 partnership between the government of India and Burmah Oil Company of the United Kingdom, already operating in this country, should not be utilised to a greater extent in oil exploration and production than confined to its present concession areas in upper Assam. The foreign partner in this concern, it may be recalled, offered last year Oil India participation on oil exploration in Somalia. But this proposal did not fructify due to inordinate delay on the part of the government in taking a decision on its. The beneficiary of an enlarged role for Oil India in the country will primarily be the government of India itself, for under the charter of this company, the British partner is entitled only to a maximum 13 per cent dividend, free of all taxes of course, on its investment in the equity capital. The surplus profit is passed on to the consumers of Oil India's crude—primarily the government of India by virtue of its ownership of the Noonmati and Barauni refineries—in the form of retrospective discounts on the basis of import parity prices of west Asian crude. Only a small portion of this surplus profit goes to the Burmah Oil Company at present on account of its onwership of the Digboi refinery—the third consumer of Oil India's crude. The Digboi refinery's share in future will go on decreasing progressively.

Shift in emphasis

A succession of failures in finding oil on land during the past several years, makes it necessary that we should now shift emphasis on oil exploration offshore. The exploration of the most promising area on land — Tripura — which had been hindred hitherto because of the anticipated difficulties of transport, can, of course, be expedited now since facilities to transport this oil to the Indian mainland may be available through the friendly Bangladesh. On land, deep drilling may also yield some results.

Along with the stepping up of the tempo of oil exploration within the country, with a greater emphasis on the off-shore areas, we should go in a big way for exploration deals abroad. If we are successful there, we can have our own crude for which the foreign exchange outgo will be much less compared to what we will have to spend on imports otherwise. Barter deals with the oil producing and exporting countries on the pattern of the Iraq arrangement can also be very useful. In view of the fast changing international oil scene and the governments of the oil exporting nations having an increasing control on their this natural endowment through participation with the international oil companies, direct deals with the oil exporting countries will have to be entered into, even though the international oil companies would have to be kept in the picture if for no other reason than for maintaining a competitive world oil market. There is also need for undertaking research for the manufacture of synthetic oil.

Coal without cheer

HAVING DELIBERATED upon the supply position and problems of power—hydro, thermal as well as nuclear power — and oil, what remains to be discussed on the energy front now is coal availability and the hurdles faced by this industry.

That coal mining targets had to be scaled down from the original ones all through the last decade is a well-known fact. According to the last revision of the fourth Plan target, coal output in 1973-74 has to be of the order of about 90 million tonnes. The maximum production—78.9 million tonnes, including lignite —was realised in 1969. Since then, the output has gone down to about 77.2 million tonnes in 1970 and nearly 73.9 million tonnes in 1971. This year it is expected to be marginally higher than last year's production. In the circumstances,the attainment of even the last revised target for 1973-74 appears to be out of the question.

To a considerable extent, the fall in the production of coal during the last two years can be attributed to decline in demand as a result of the sluggishness in the economy. But that should not be of much concern if the potential for raising output to about 90 million tonnes by 1973-74 is established. This too seems very unlikely.

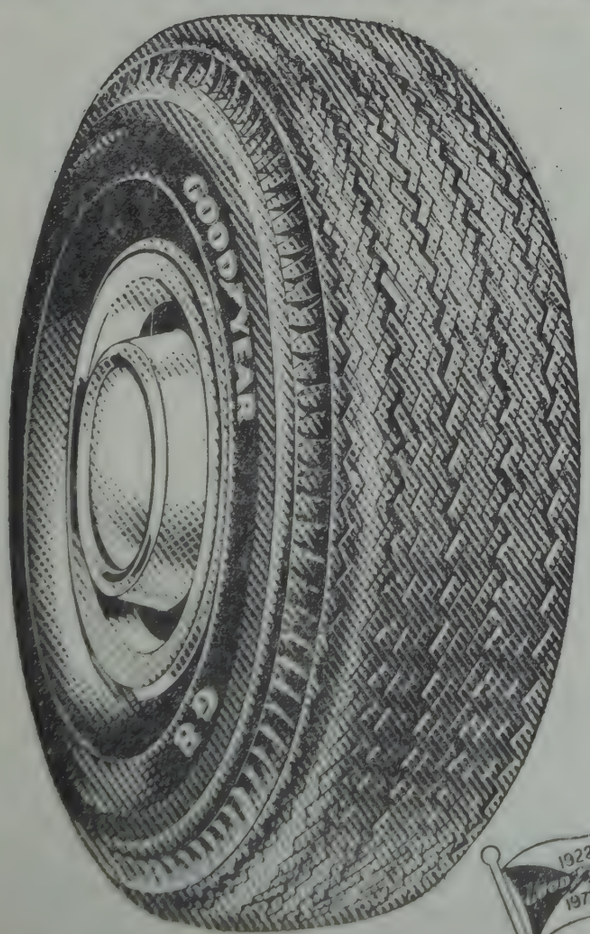
Against this backdrop, the task of building up the production of coal to about 141 million tonnes by the end of 1978-79, as envisaged in the fifth Plan approach document, apparently is an arduous one. The recurrent shortages of coal, thus, should be expected to accentuate during the fifth Plan period. It, of course, needs to to emphasised that (as mentioned in the power section) the target of 141 million tonnes proposed in the fifth Plan approach document is much lower than that envisaged by the Fuel Policy Committee. The FPC has estimated the total coal requirements, including the coal used in the generation of electric power, at 165 million tonnes in 1978-79.

Contributory factor

The reasons for the slow growth of the coal mining industry, apart from the near-stagnation of the economy in the recent past, are not far to seek. A major contributory factor has been the progressive deterioration in the profitability of the industry. As Table X shows, all the principle profitability ratios — (i) gross profits as percentage of sales, (ii) gross profits as percentage of total capital employed, (iii) profits after tax as percentage of net worth; (iv) dividends as percentage of net worth; (v) ordinary dividends as percentage of ordinary paid-up capital, (vi) total dividends as percentage of

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total paid-up capital and (vii) profits retained as percentage of profits after tax—are adverse for the coal mining industry, compared with those for the industrial sector as a whole. The deterioration in these ratios over the 10 years to 1970-71 is distinctly discernible in the case of the entire industrial sector. In the coal mining industry, the deterioration has been even more marked. The strained financial position of the coal industry has had its adverse impact on the capital formation in the industry.

Among the other factors that have hindered the growth of the coal industry, the more important ones are: (1) the recurrent wagon shortages which lead to accumulation of stocks at pitheads; (ii) the occasional inadequacy of permitted explosives, and (iii) the difficulties of obtaining spares and components due to tight foreign exchange releases even in the face of unsatisfactory operations of the Mining and Allied Machinery Corporation.

The working of the MAMC is stated to have shown marked improvement this year. So the last constraint on the growth of the coal industry may not last long. Similarly, the efforts made to ensure adequate supplies of permitted explosives through imports as well as augmenting the indigenous capacity, which were initiated after the acute shortage experienced about two years ago, following a strike at the Gomia factory of Indian Explosives, if kept up, should have a salutary effect on the future development programmes of coal mining.

Adequate vigil is necessary for breaking the bottlenecks in the movement of coal from the producing to the consuming areas. With a view to containing the burden of coal movement, it is, of course, necessary that concerted efforts are made to discover and develop coal reserves in areas situated far away from the main coal belt in east India. The suggestion of the Fuel Policy Committee that the possibilities of introducing unit trains for speeding up coal movement, utilisation of coastal shipping on a regular basis for carrying coal from east to west India, transport of coal along the river Ganga and creation of dumps for the smaller consumers of coal, should be fully considered deserves pertinent notice by the government.

The development of the coal industry to the extent warranted by the increasing demands on it cannot be ensured unless the coal policy of the government is enunciated in unambiguous terms. This is necessary in view of the recurrent talk about the nationalisation of this industry. Apart from the stringent financial position of the industry, the fears of nationalisation are scaring away investments in coal mining, especially after the take-over by the government of the coking coal mines. The need for allowing remunerative prices for coal by governmental agencies and organisations, which account for a major portion of the total consumption of coal

TABLE X

Profitability Trends in Coal Mining: 1960-61 to 1970-71

(Figures in brackets are average profitability ratios in the industrial sector taken as a whole)

Ratio	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Gross profits as percentage of sales*	9.6 (10.3)	9.1 (10.1)	9.8 (10.1)	9.1 (10.2)	6.3 (9.9)	6.4 (10.7)	5.4 (10.5)	6.6 (9.2)	6.0 (8.8)	6.7 (9.6)	5.5 (9.9)
Gross profits as percentage of total capital employed	9.0 (10.2)	8.6 (10.1)	9.7 (10.2)	8.5 (10.7)	5.7 (10.4)	6.3 (10.1)	5.1 (9.8)	6.4 (8.6)	6.5 (8.5)	7.3 (9.6)	5.6 (10.4)
Profits after tax as percentage of net worth	7.8 (11.0)	6.0 (10.0)	8.2 (8.7)	9.3 (9.5)	4.8 (9.3)	5.5 (8.9)	3.1 (9.1)	5.0 (7.3)	4.9 (7.0)	9.3 (9.5)	4.5 (10.1)
Dividends as percentage of net worth	5.4 (6.6)	5.2 (6.4)	4.4 (5.8)	4.1 (5.8)	3.7 (5.7)	3.3 (5.6)	3.1 (5.5)	3.3 (5.2)	3.2 (5.1)	3.7 (5.4)	3.8 (5.7)
Ordinary dividends as percentage of ordinary paid-up capital	10.2 (12.0)	9.9 (11.8)	8.5 (10.8)	8.3 (11.2)	7.3 (11.3)	6.7 (10.4)	5.8 (9.6)	6.0 (9.1)	6.1 (8.9)	7.3 (9.7)	7.4 (10.6)
Total dividends as percentage of total paid-up capital	9.5 (11.2)	9.2 (11.0)	8.1 (10.1)	8.0 (10.5)	7.2 (10.7)	6.5 (9.8)	5.9 (9.2)	6.0 (8.7)	6.0 (8.6)	7.1 (9.3)	7.2 (10.1)
Profits retained as percentage of profits after tax	30.7 (39.9)	13.6 (36.4)	46.3 (33.8)	55.6 (38.7)	23.6 (38.5)	40.1 (37.2)	—0.9 (40.1)	34.3 (28.6)	34.7 (27.1)	60.0 (42.9)	15.0 (43.2)

*For years upto 1964-65, the percentages are in relation to total sales. For the subsequent years, they are in relation to total sales net of rebate, discounts, excise duty and cess.

NOTE: The total number of industrial units whose belance-sheets were analysed was 1,333 between 1960-61 and 1964-65. In the subsequent years, this number was raised to 1,501. The coal mining units included in the former figure of 1,333 were 42. In the latter figure of 1,501 the number of coal mining units included is 40.

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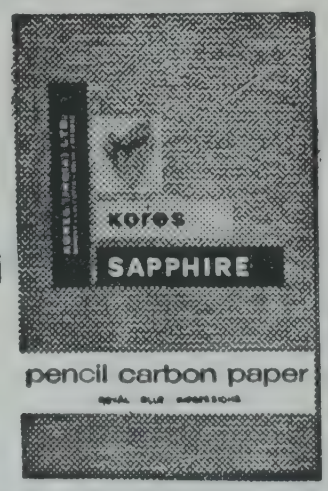
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in the country, cannot be over-emphasised.

Particular attention in the coming years, of course, will have to be paid to the raising of coking coal output during the fifth Plan to the levels warranted by the ambitious steel manufacturing programme. This production suffered a sizeable setback last year following the takeover of the coking coal mining industry by the government. The position is claimed to have improved considerably this year. But if coking coal output has to be raised to about 30 million tonnes by 1978-79, which would be the aggregate requirement of the steel industry in that year, a herculean effort will have to be made. Not only a considerable portion of this sector of the coal industry has to be modernised but many coking coal mines have to be restructured also so as to avoid a wasteful exploitation of our limited coking coal reserves.

Conscious of conserving the scarce reserves of primary coking coal in the country, the Fuel Policy Committee has rightly suggested that immediate attention should be paid to the development of additional production of medium coking coal and its use in steel plants.

The recommendation of the Fuel Policy Committee that non-commercial fuels such as firewood and dung should be replaced by soft coke needs to be endorsed. This is necessary to arrest denudation of forests and saving dung for manurial purposes. In the cities with population exceeding one million town gas plants can be profitably experimented with.

The above account makes it abundantly clear that extreme care will have to be exercised to fully implement the fifth Plan energy development programmes, if shortages have to be mitigated. Any slippages, for reasons whatsoever, will very adversely affect the overall growth of the economy as the targeting of energy production appears to have been done to achieve at best a fine balance with the projected requirements.

Owing to the rapidly increasing import bill for petroleum products, the demand for these products has to be curbed and also replaced, to the extent possible, by alternative sources of energy. In view of the expected sharp rise in the requirements of power in the next 25 years or so, the country's competence to undertake nuclear projects has to be built up expeditiously. Till this is done, coal will have to play a very prominent role in meeting energy requirements. The problems of this industry ought to be carefully analysed and straightened out if acute shortages are to be obviated. Some relief from shortages can, of course, be obtained through improving the efficiency of fuel use in the industrial sector. The National Productivity Council has already assisted a few industrial concerns in this regard and the results have been wholesome.

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Fertilizers : yawning gaps

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Factors for shortfall

The shortfalls in the attainment of the fourth Plan fertilizer consumption targets are attributable to various factors. The more important among these are: (i) fairly large dependence on imports due to inadequate domestic supply; (ii) insufficient credit facilities for farmers; and (iii) lags in the promotional efforts.

We did not plan for self-sufficiency in fertilizers during the five years' to 1973-74. The fourth Plan aims at stepping up the indigenous manufacturing capacity to three million tonnes N and 1.2 million tonnes P_2O_5, which was expected to yield an output of 2.5 million tonnes N and 0.9 million tonnes P_2O_5 in 1973-74. The rest of the anticipated requirements of nitrogen and phosphatic fertilizers were envisaged by the planners to be met by imports. As regards potassic fertllizers, almost the entire demand was proposed to be catered for by imports as no economical production facilities were expected to be put up during the fourth Plan to augment the domestic output of a couple of thousand tonnes from salt bitterns.

Lags in production

Even the above modest goals, however, are not now expected to be accomplished. The installed capacity for producing nitrogenous fertilizers as on April 1, 1972, did not exceed 1.471 million tonnes N, which working to an average utilization of 64 per cent, yielded during the last financial year a production of 0.947 million tonnes N. This year, the output is expected to go up to about 1.2 million tonnes N, primarily as a result of improved working of the above installed capacity of 1.471 million tonnes N. Although three new plants—at Durgapur, Goa and Cochin—are undergoing trial runs at present, they are not likely to yield much production this year.

As regards phosphatic fertilizers, the installed capacity at the turn of the current financial year aggregated to 0.504 million tonnes. Capacity utilization last year was 58 per cent. So production did not exceed 0.29 million tonnes. The utilization of the phosphatic fertilizers capacity too has shown some improvement this year. As a result, the output this year may be around 0.36 million tonnes.

By the end of 1973-74, the installed capacity for nitrogenous fertilizers is expected to increase to about 2.254 million tonnes. While the Durgapur, Goa and Cochin units will go into production shortly the Namrup expansion and the establishment of the Barauni unit, which are currently in advanced stages of construction, may go on stream by the middle of 1973-74. The addition to phosphatic fertilizers capacity by the end of the fourth Plan, however, is anticipated to be only of the order of 50,000 tonnes at Goa. The total installed capacity to produce P_2O_5, thus, should go up by 1973-74 to 0.55 million tonnes.

The new plants that will go into production during the next 15 months of the current Plan period, obviously cannot be expected to run to full capacity. The 1973-74 outputs of nitrogen and P_2O_5, therefore, may be around 1.6 and 0.39 million tonnes, respectively. The shortfalls from the fourth Plan capacity targets, thus, will be about 0.75 million tonnes N and 0.65 million tonnes P_2O_5. The actual production of the two chemical manures will fall short of anticipations by nearly 0.9 million tonnes N and 0.51 million tonnes P_2O_5.

The grievious shortfalls both in capacity and production of nitrogenous as well as phosphatic fertilizers have necessitated increased imports. But as a sequel to the tight world supply, suspension of aid by the United States and our own foreign exchange resources being stringent, it is becoming increasingly difficult to secure adequate imports. This has led to the emergence of a seller's market in fertilizers. There are complaints from various parts of the country about inadequacy of supplies. Some imports are being arranged from the east European countries. It, however, yet remains to be seen whether due to difficult supply position, even the currently talked about targets of consumption in 1973-74 (2.6 million tonnes N, 0.809 million tonnes P_2O_5 and 0.525 million tonnes K_2O) will be attained.

The emergence of seller's market incidentally has resulted in the recent past in the slackening of the pace of promotion of fertilizer use, which, even otherwise, had left much to be desired. Inadequacy of credit, especially for the smaller farmers, has been acting as another big constraint on fertilizer consumption. Some efforts are being made to make up the leeway in this regard but the situation continues to be unsatisfactory.

In view of the growing tightness of the world fertilizer market—nay, even otherwise to contain the bill on imports of fertilizers or inputs for the indigenous manufacture within reasonable limits—it is essential that concerted efforts ought to be made to augment indigenous capacity not on

TABLE I

Ministry of Agriculture's Fertilizer Consumption Estimates 1973-74 to 1978-79

('000 tonn

Year	N	P_2O_5	K_2O
1973-74	2,600	809	525
1974-75	2,870	1,148	574
1975-76	3,445	1,378	689
1976-77	4,130	1,652	826
1977-78	4,960	1,984	992
1978-79	5,950	2,380	1,190



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for producing fertilizers but also for turning out the inputs of this industry.

According to the union Ministry of Agriculture, if the fth Plan agricultural develop-ent programmes are to be ushed through, the consump-on of fertilizers will have to e raised as shown in Table (p. 1322).

The latest estimates of the ertilizer Association of India FAI), however, are considera-y lower. Adopting the trend he method, based on actual nsumption during the last ve years, the FAI has arrived two sets of consumption timates. The higher one—l million tonnes N, 1.9 mil-on tonnes P_2O_5 and 0.92 mil-on tonnes K_2O by 1978-79—sumes a technological break-rough in the production of ce and certain other major ops like cotton, pulses, sugar-ne, etc. The lower one—3 million tonnes N, 1.63 illion tonnes P_2O_5 and 0.78 llion tonnes K_2O—is based the existing level of tech-logy in our agriculture, but allows for a suitable adjust-ment for possible decline in the annual growth rate at higher levels of consumption. Actual consumption, the FAI feels, should fall within these two limits. For planning pur-poses, however, it suggests the adoption of the higher esti-mates of consumption. The year-wise break-up of the two latest estimates of the FAI are given in Table II.

Earlier, the FAI had been placing the 1978-79 require-ments of nitrogen and P_2O_5 around 5.5 million tonnes, and two million tonnes, respecti-vely. Even if the estimated requirements of 5.1 million tonnes N, 1.9 million tonnes P_2O_5 and 0.9 million tonnes K_2O in 1978-79 are taken into consideration for planning purposes, as suggested by the FAI—not to speak of the much higher consumption tar-gets contemplated by the union Ministry of Agriculture —the minimum installed capa-city required for the achieve-ment of self-sufficiency in fer-tilizers, will have to be app-roximately 7.0 million tonnes N, 2.5 million tonnes P_2O_5 and 1.2 million tonnes K_2O. This assumes a reasonably efficient utilization of capacity.

Against these requirements, where will we stand if all the current programmes of fertili-zer manufacture are completed according to their present schedules?

As stated earlier, the likely installed capacity for produc-ing nitrogenous fertilizers at the end of the fourth Plan will be 2.254 million tonnes. In addition, the project of Indian Farmers Fertilizer Co-opera-tive Ltd, and those at Talcher, Ramagundam, Haldia, Gorak-pur (expansion,) Cochin (Phase II), Mangalore and Tuticorin are at present in various stages of implementa-tion. They will add a capacity of 1.3 million tonnes N. Be-sides, some projects, which are under consideration, are likely to be firmed up in the course of the next few months. These projects are Trombay Expan-sion, Korba, Nangal Expan-

TABLE II

FAI's latest Estimates of Fertilizer Consumption : 1974-75 to 1978-79

('000-tonnes)

Year	Higher Estimates			Lower Estimates		
	N	P_2O_5	K_2O	N	P_2O_5	K_2O_5
1974-75	2,612	954	463	2,219	814	391
1975-76	3,081	1,114	538	2,612	954	463
1976-77	3,639	1,383	657	3,081	1,114	538
1977-78	4,307	1,631	777	3,639	1,383	657
1978-79	5,104	1,924	919	4,307	1,631	777

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sion, Sindri Modernisation, Konkan Fertilizers, Coromandel Expansion (Phase I) and Tatas. They are expected to add another 0.9 million tonnes N capacity. Thus, the total capacity of the nitrogenous fertilizers industry—in production, under implementation and likely to be firmed up soon—is expected to be 4.5 million tonnes. Three more projects—in Punjab, Haryana and Maharashtra—are being talked about. If these are also included in the capacity likely to be firmed up early during the fifth Plan, the installed capacity by 1978-79 may go up to 4.91 million tonnes. Some of the existing plants which have aged, however, will not be able to work to capacity during the fifth Plan period. So some allowance has to be made for this. Considering that the capacities of the plants at Sindri, Alwaye, Neyveli, Ennore and Varanasi will have to be somewhat discounted, the effective capacity, according to the current programmes, may not exceed 4.4 million tonnes N.

The capacity available for manufacturing phosphatic fertilizers at the end of the current Plan will be 0.55 million tonnes. The projects under implementation—Kandla, Tuticorin, Sindri Rationalisation, Khetri, Cochin Phase II, and Haldia—will contribute another 0.6 million tonnes capacity. There are three other projects—Trombay, Coromandal Expansion (Phase I) and Konkan Fertilizers—which are in advanced stages of consideration. They should contribute a capacity of 0.2 million tonnes. The total P_2O_5 capacity likely to materialise by the end of the Fifth Plan, thus, is approximately 1.4 million tonnes. In this capacity is included 200,000 tonnes capacity in single superphosphate plants. Their contribution in the recent years has been much below capacity and a few of them have even closed down. These plants may be able to contribute just about 100,00 tonnes P_2O_5 in the terminal year of the fifth Plan. The effective capacity for producing P_2O_5 in 1978-79, therefore, may be around 1.2 million tonnes.

After discounting the capacities of the old plants to the extent warranted and assuming that nitrogenous plants can be operated for 330 stream days and phosphatic units for 300 stream days per annum, and further that the utilization of the capacity of the new plants, in the light of the experience of the recent past, can be built up as given in Table III, the FAI has arrived at the estimates of indigenous production during the five years to 1978-79 as shown in Table IV.

Correlating the above production with three consumption estimates—(i) of the union Ministry of Argiculture; (ii) the higher estimate of FAI; and (iii) the lower estimate of FAI—the indigenous production will fall short of the requirements in the five years of the fifth Plan to the the extents shown in Table V.

The year-wise requirements

TABLE III

Capacity Utilization in Fertilizer Projects

(in percentage)

Period	Nitrogen	P_2O_5
During first 12 months of commercial production	55	50
During the next 12 months of commercial production	75	75
Thereafter	80	80

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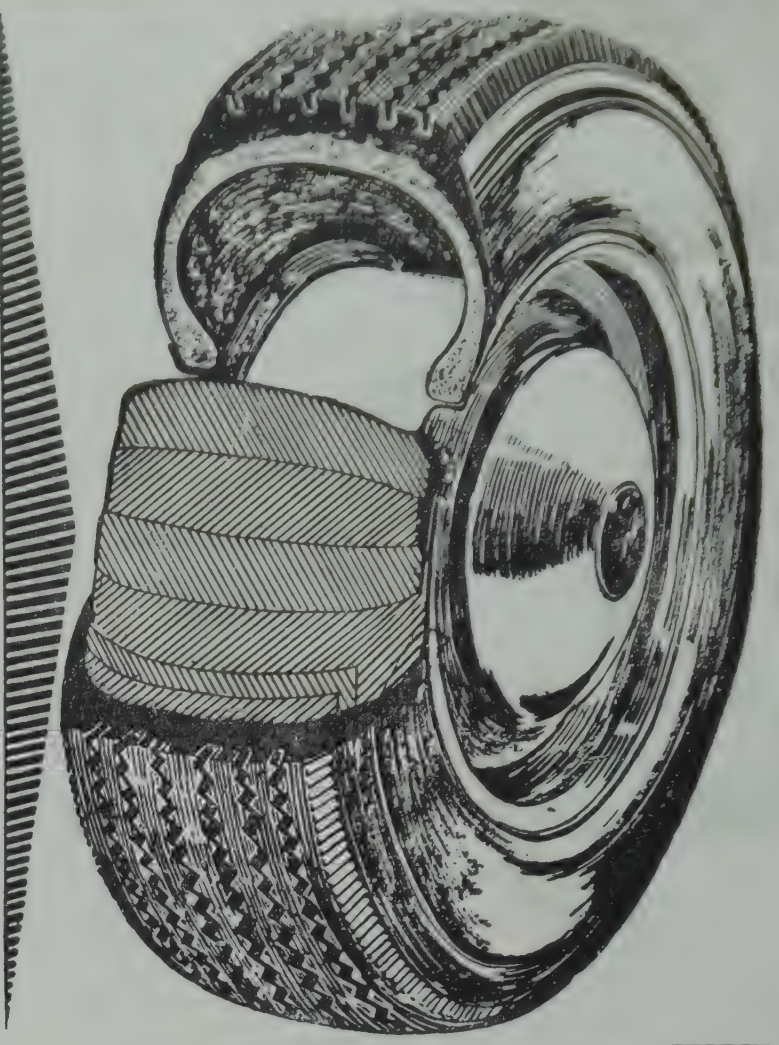
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of K_2O, according to the three estimates, is given in Table VI.

Practically the entire requirements of K_2O will have to be met by imports in view of the non-existence of economical sources of producing potash in the country. The indigenous capacity for producing nitrogenous and phosphatic fertilizers, of course, can be stepped up to eliminate deficits.

As mentioned earlier, the higher estimates of the FAI, which should form the basis for the fertilizer production and capacity programmes of the fifth Plan, call for the raising of nitrogen capacity by 1978-79 to at least seven million tonnes and that for P_2O_5 to about 2.5 million tonnes. The additional capacity which will have to be set up, over and above the schemes under implementation and approved, along with those which are likely to be firmed up in the near future, is 2.6 million tonnes N and 1.3 million tonnes P_2O_5 (see Table VII). The number of additional plants to be put up is 12 for nitrogenous fertilizers, each having a capacity of 900 tonnes of ammonia per day, and 13 for phosphatic fertilizers, each of 100,000 tonnes P_2O_5 capacity per annum.

Can we accomplish this feat? The task can be performed only if the government goes about it in a pragmatic manner and keeps the dogmatic approach in abeyance. As in several other fields, especially in the field of power generation, the question that has to be decided by the government is : should we attempt to instal the entire new capacity which is needed on our own or should be seek assistance from abroad?

There is no doubt that as a sequel to the research and development effort undertaken by the Fertilizer Corporation of India and FACT in the sixties and the two organisations having already taken out licences for some processes, we are, by and large, self-reliant in fertilizer technology and engineering. The country has also developed fertilizer equipment manufacturing capability to no small extent; till lately, nearly 60 per cent of the equipment needed for fertilizer plants could be fabricated indigenously. Yet the fact remains that the pace of development of the fertilizer industry has been very tardy. The plants which we have been setting up in the public sector on our own have taken at least five years to complete. With the gain of experience, this period can be cut short, provided, of course, equipment is available expeditiously. The engineering industry facing shortages of steel and the performance of the suppliers of fertilizer equipment not being very satisfactory, it is too much to expect that we will be able to set up 12 giant nitrogenous plants and 13 P_2O_5 manufacturing units, over and above the schemes already being implemented and those which have been approved or are likely to be firmed up soon, on our own. The industry circles are even of the view that the indigenous capacity to fabricate fertilizer equipment is not sufficient for the task ahead, irrespective of its full utilization. According to these circles, we also do not have adequate experienced contractors to do the job. A realistic estimate, therefore. ought to be made of the capacity whice we can add through our own efforts during the fifth Plan period. There should not be any inhibition on the part of the government to import equipment from aboard for the rest of the required capacity.

The move to entrust the construction of five nitrogenous fertilizer plants (two coastal plants of 1300 tonnes ammonia capacity per day each and three inland plants of 900 tonnes ammonia daily capacity each) to Toyo of Japan which will be partnered by Engineers India Ltd, a public sector venture here, deserves particular mention. This Japanese concern has already set up a couple of units for the private sector in this country, each within the tight schedule of 30 months. This compares with about five years taken by indigenous erectors. Care, of course, has to be taken that we do not unnecessarily import what can be produced in the country. To expedite supplies from indigenous sources, adequate imports of steel should be arranged. The country cannot afford to go on slipping up in the fertilizer manufacturing programmes.

TABLE IV

FAI's Estimates of Fertilizer Production : 1974-75 to 1978-79

('000 tonnes)

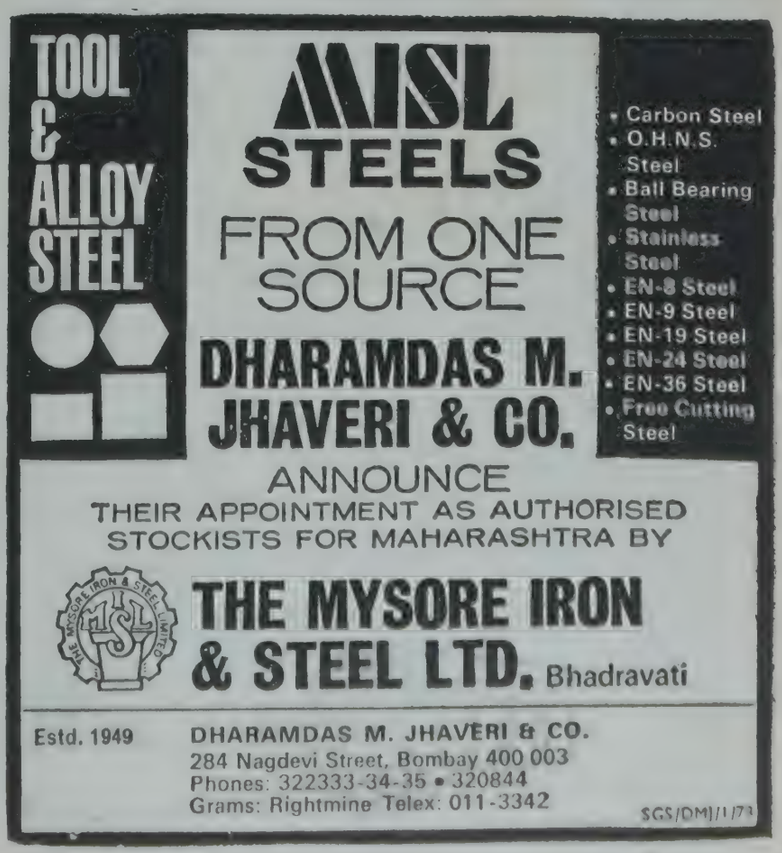
Year	Nitrogen	P_2O_5
1974-75	2,010	549
1975-76	2,465	752
1976-77	2,956	897
1977-78	3,275	983
1978-79	3,474	990

TABLE V

Likely Shortfall of Domestic Production vis-a-vis Fifth Plan Demand for Nitrogen and P_2O_5

('000 tonnes)

Year	Deficit from the estimate of					
	Ministry of Agriculture		FAI (Higher estimate)		FAI (Lower estimate)	
	N	P_2O_5	N	P_2O_5	N	P_2O_5
1974-75	860	599	602	465	209	265
1975-76	980	625	616	362	147	202
1976-77	1,074	755	683	486	125	217
1977-78	1,685	1,001	1,032	648	364	400
1978-79	2,476	1,390	1,630	934	833	641



In view of the growing world shortage, the aim has to be self-sufficiency in fertilizers to support the agricultural development programmes. It ought not be allowed to be thwarted in the name of self-reliance in setting up all the future units.

A major issue which has to be resolved while drawing up the plans for augmenting the fertilizer manufacturing capacity in the country is on which feedstocks the additional capacity ought to be based.

So far as nitrogenous fertilizers are concerned, the most preferred feedstock till now has been naphtha. As is evident from a table included in the statistical section (p. 1421, capacity of nitrogen according to sources of feed-stock—as on October 1, 1972), of the existing capacity, 73.2 per cent is based on naphtha, 3.1 per cent on natural gas, 13.5 per cent on coke or coke-oven gas, 5.4 per cent on electric power and 4.8 per cent on lignite. Nearly 50.4 per cent of the capacity under implementation will have naphtha as feedstock. Another 16.1 per cent is being based on natural gas and 6.6 per cent on imported liquid ammonia. Some capacity is also being based on coal (20.2 per cent) and furnace oil (6.7 per cent). Of the capacity approved but yet to be implemented, nearly 13.9 per cent is envisaged to use naphtha, 5.2 per cent imported liquid ammonia, 19.4 per cent high/low sulphur heavy petroleum stock, 26.4 per cent coal and 35.1 per cent furnace oil. Naphtha and furnace oil are the feedstocks proposed to be used in the capacity under consideration. The overall feedstock position of the existing capacity, projects under implementation, projects approved but yet to be implemented and the projects under consideration, is approximately as follows: naphtha 50.8 per cent; natural gas 8.4 per cent; furnace oil 12.4 per cent; high/low sulphur heavy petroleum stock 3.4 per cent; imported liquid ammonia 4.0 per cent; coke/coke oven gas 4.0 per cent, electric power 1.6 per cent; coal 14 per cent and lignite 1.4 per cent.

The use of electric power as feedstock for any fertilizer manufacturing unit in the near future is obviously ruled out in view of the likely power

TABLE VI

K_2O Requirements of Fifth Plan

('000 tonnes)

Year	Ministry of Agriculture (Estimate)	FAI (Higher estimate)	FAI (lower estimate)
1974-75	574	463	391
1975-76	689	538	463
1976-77	826	657	538
1977-78	992	777	657
1978-79	1,190	919	777

TABLE VII

Estimated Capacity Repuirements in 1978-79

(million tonnes)

Particulars	N	P_2O_5	Total
Estimated Consumption	5.0	2.0	7.0
Effective capacity required to produce this quantity	7.0	2.5	9.5
Anticipated effective available capacity	4.4	1.2	5.6
Additional capacity required:			
(a) Million tonnes	2.6	1.3	3.9
(b) Number of additional plants*	12	13	

*(N=900 tonnes of ammonia per day)
P_2O_5=1,00,000 tonnes of P_2O_5 per annum

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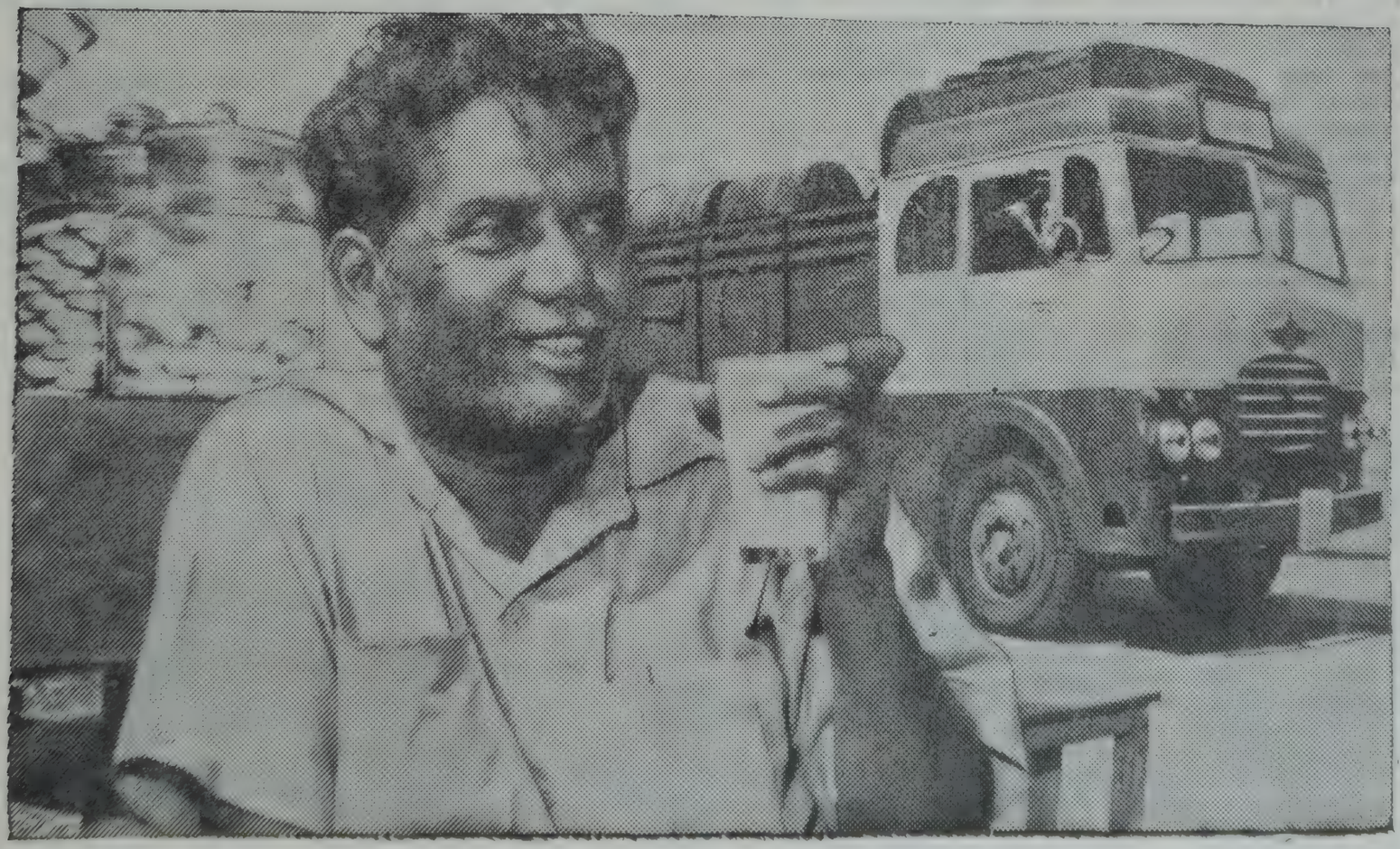
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shortages during the seventies and for such reasons as the frequent clamour in Punjab that the only fertilizer factory in the country based on the electrolysis process—the Nangal ferlilizer factory—should be shifted from its present site to anywhere else to release power for other agricultural and industrial uses. The likely available supplies of naphtha from the indigenous sources too are said to be nearly fully committed already. The expansion of the oil industry just to augment naphtha supplies is not favoured for the simple reason that the import bill for crude oil is mounting rapidly and if oil is not struck within the country, this import bill may even otherwise grow to unmanageable proportions at none-too-distant a day, especially when the prices of crude oil are persistently rising in west Asia. Imports of naphtha are also not considered feasible on any significant scale because of dearth of this product in the global market. The use of natural gas as feedstock for fertilizer manufacture depends largely on new finds. The limited resources of lignite rule out this source too as fertilizer feedstock. The unhappy experience of the Rourkela fertilizer project does not evoke optimism about the coke/coke oven gas as a base for producing chemical manures.

This leaves only three feedstooks (i) liquid ammonia, (ii) coal, and (iii) furnace oil/ heavy petroleum stocks. Liquid ammonia has to be imported. Although it is fast becoming the favourite feedstock for fertilizer plants in the advanced countries, the limitation of foreign exchange in our case have to be contended with, if we have to take resort to this material in any large measure. The most favoured feedsteoks in government circles today are coal and heavy petroleum stocks/ furnace oil. The availability of heavy petroleum stocks from the indigenous refining capacity is considered to be easy. The imports of these oil fractions can also be arranged more cheaply than those of naphtha or liquid ammonia. The proposed Tatas' project at Mithapur, it is understood, has been cleared to make use of straight crude oil; it will be using the process of partial oxidation.

The basing of the new nitrogenous fertilizers manufacturing capacity on indigenously available feedstocks, as far as possible, apparently, is the right policy to follow. Since only coal and heavy petroleum stocks are in easy supply in the country, the inference should be that most of the future nitrogen capacity ought to be based on these two feedstocks.

But this raises the isssue of the prices of fertilizers. The profitabliity of the projects based on the above two feedstocks does not compare favourably with those using naphtha, natural gas or liquid ammonia. The private entrepreneurs have been shying off this proportion on this count. Measures, therefore, have to be taken to make coal and heavy petroleum stocks based projects economical. Some incentives in price or through fiscal measures will have to be given. An expeditious decision in this regard would be of great help.

The recent scaling down of the excise duty on furnace oil, if it is used as a feedstock for the manufacture of fertilizers, is a welcome step. It is hoped that the other necessary measures to equate the profitability of fertilizer plants, based on coal and furnace oil, with those based on naphtha will be announced soon. The matter is understood to be engaging the attention of the government.

A fresh look at fertilizer prices even otherwise is imperative because the profitability of the industry has been greatly impaired in the recent past by mounting costs and excise levy.

An idea of how the cost of production and distribution of urea—the most popular fertilizer used in the country—has gone up since 1967, can be had from Table VIII.

As against this overall increase in cost, the net increase in the prices of urea per tonne to the farmer has been only Rs 119. A substantial part of the increase in the manufacturing and distribution cost, therefore, had to be absorbed by the industry. Surely, improved working could not compensate for the increased cost.

Unless the industry is able to generate internal resources, the expansion of the existing plants will be hindred. The low profitability of this capital-intensive industry was one of the primary reasons for the lack of interest on the part of the private sector in it. Further erosion in profitability by mounting costs will undoubtedly not sustain even the present interest of private entrepre neurs, not to speak of enthusing them to partake in the development of the industry in a more vigorous way.

In view of the above and also to keep the outlay on the fertilizer manufacturing programme of the fifth Plan within reasonable limits, we may, however, need not be dogmatic about using only coal and heavy petroleum stocks as the feedstocks in the new nitrogenous fertilizer projects. If we are dogmatic, we will run into the difficulty of securing equipment needed in the short span of five or six years; the equipment for projects based on coal and heavy fractions of petroleum is not easily available. Some capacity will have to be based on liquid ammonia, as projects based on this feedstook can be commissioned in about two years' time. With the expansion of the scale of production of liquid ammonia in west Asia, the prices of this material are bound to go down. Naphtha imports too need not be completely ruled out in the interest of attaining the fifth Plan targets of fertilizer production in time. If the agricultural development programme suffers for want of fertilizers, the penalty to be paid in the form of imports of farm products—foodgrains, cotton, etc.—will be much more than what we may have to spend on importing naphtha to feed the fertilizer projects. The strategy ought to be to contain the foreign exchange outgo to the minimum, both on account of imports of raw materials and equipment for fertilizer plants and on account of imports of foodgrains and other agricultural products which would be necessary should the supply of indigenously produced fertilizers fails to keep pace with demand.

As regards phosphatic fertilizers, the two essential raw materials for them—sulphur and rock phosphate—are largely imported at present. Very small quantities of sulphur are being produced indigenously as a by-product from the Madras refinery. Some small quantities of pyrites are also being mined in Bihar and used for the production of sulphuric acid, but large-scale

TABLE VIII

Rise in Cost of Production and Distribution of Urea since 1967

Item	Additional cost (Rs per tonne of urea)
Delivered price of naphtha	38.00
Fuel oil	3.00
Power	37.00
Transportation of finished product	7.00
Excise duty.	108.00
Packing	28.00
Spares	2.50
Labour	3.00
Miscellaneous	5.00
	231.50

exploitiation of pyrites has yet to commence. The case with rock phosphate is no different. Rajasthan produces some rock phosphate. On present indication, about 1.2 million tonnes of useable rock may be available from this sources by 1978-79. But this will not be enough for even 20 per cent of the estimated requirements for that year. While we may have to depend to a large extent on imports of sulphur for which we need to have some long-term arrangements, efforts need to be made to improve the working of the Bihar pyrites project and to raise the output of rock phosphate in Rajasthan to the maximum possible extent through mechanising the mining operations there and improving handling operations and transportation. There is also need for expeditiously installing crushing, grinding, beneficiation, blending and other suitable facilities so as to produce a constant quality of this material. The exploration for new rock phosphate deposits too ought to be stepped up. The country is not considered deficent in them.

Another important aspect of the fifth Plan fertilizer programmes is the large requirements of technical manpower. According to the quick calculations made by "Chemical Take off," a monthly journal of chemical and chemical-based industries, the fertilizer industry will need about 140,000 personnel by the end of the current decade, if self-sufficiency is to be the goal. The 1980-81 requirements of fertilizers are estimated by the union Ministry of Agriculture around 6.2 million tonnes N and 2.5 million tonnes P_2O_5. An ambitous training programme will have to be launched to cater for the personnel needs of the fertilizer industry.

Considering the huge investment the country will be required to make to become self-sufficient in nitrogen and P_2O_5 by 1978-79—nearly Rs 1800 crores, of which approximately Rs 720 crores will be the expenditure in foreign exchange, (the foreign exchange expenditure should go up by at least another Rs 100 crores on account of imports of K_2O) —it is imperative that an all-out effort is made to run the plants efficiently to the maximum capacity. Various factors are responsible for the under-utilization of capacity at present. The Nangal factory and the Rourkela plant, for instance, suffer from inadequacy of the feedstocks—power in the case of the Nangal unit and coke/coke oven gas in the case of the Rourkela project. The Sindri factory too has been facing a similar problem. But the two main problems of the other plants are: (1) inadequacy of power supplies, frequent interruptions in this supply and fluctuations in voltage; and (ii) labour trouble. If these difficulties are removed, the utilization of capacity in most of the fertilizer plants—excluding, of course, the old plants at Alwaye, Neyveli, Rourkela and Sindri—it is felt, can be raised to over 90 per cent, as against about 80 per cent currently.

The fears being expressed in some circles that a large-scale resort to fertilizers will create environmental pollution problem in the country seem to be unjustified. Even after the attainment of the fifth Plan consumption targets, the use of fertilizers in our country per hectare of cultivated land will be just a small fraction of their application in such advanced countries as Japan, Holland, the United Kingdom and the United States. It will also not be even half of the present world average which is 21.20 Kg per hectare. Compared to the advanced countries, we currently use hardly 1/47 to 1/81 as much fertilizers per hectare as Japan and Holland do. If the use of large quantities of fertilizers in these countries has not produced any ill effect in human health or any deterioration of quality of environment, it is very unlikely to do so in our country where the amount of fertilizers used is infinitesimally small.

In fact, the danger of pollution of our environment is much more on account of the discharge of industrial effluents, city sewrage, town wastes and such other factors. Currently, the danger from fertilizer use is estimated to be far less than even that from the annual rainfall.

The above, of course, does not imply that the application of fertilizers to various crops should be injudicious and indiscriminate. Such crops as wheat draw up nutrients in a satisfactory measure. The same, however, cannot be said about rice. A recent study by the Indian Council of Agricultural Research has suggested a critical examination of fertilizer use in rice cultivation beyond certain levels. This examination ought to be instituted soon.

If fertilizers are used efficiently and there is proper water management, they can even help in arresting soil erosion which is a major source of pollution of environment in the countryside. Inadequate use of fertilizers results in less vegetative cover and accelerated erosion. Hence, there is a need for educating the farmers in the optimum fertilization of their fields.

The task of achieving self-sufficiency in fertilizers.—and that too in nitrogenous and phosphatic fertilizers alone—by the end of the fifth Plan is, indeed, formidable. But it has got to be undertaken for feeding the growing millions.—

—R. C. Ummat



TABLE IX

Factorywise, Productwise Licensed Capacity of Fertilisers as on April 1, 1972 (tonnes)

Region/State/Factory	Ammonium sulphate (20.6% N)	Ammonium sulphate nitrate (26% N)	Calcium ammonium nitrate (25% N)	Urea (46% N)	Ammonium chloride (25% N)	Ammonium phosphate sulphate (16-20-0) & (20-20-0)
	1	2	3	4	5	6
SOUTH	273,610	—	—	710,500	25,000	222,980
Andhra Pradesh	—	—	—	(16,500)	—	—
Coromandel Fertilisers Ltd, Visakhapatnam	—	—	—	16,500	—	—
Hyderabad Chemicals & Fertilisers Ltd, Maula Ali	—	—	—	—	—	—
Andhra Fertilisers Ltd, Tadepalli	—	—	—	—	—	—
Andhra Sugars Ltd, Tanuku	—	—	—	—	—	—
Krishna Industrial Corpn., Nidadavole	—	—	—	—	—	—
Kerala	(198,000)	—	—	(330,000)	(25,000)	(171,500)
The Fertilisers & Chemicals Travancore Ltd., Alwaye*	198,000	—	—	—	25,000**	171,500†
Cochin Fertiliser Project, Cochin	—	—	—	330,000	—	—
Mysore	—	—	—	—	—	—
Mysore Chemicals & Fertilisers Ltd., Belagula	—	—	—	—	—	—
Chamundi Chemicals & Fertilisers Ltd., Munirabad	—	—	—	—	—	—
Tamil Nadu	(38,610)	—	—	(364,000)	—	(51,480)††
Neyveli Lignite Corporation Ltd., Neyveli	—	—	—	154,000	—	—
E.I.D.—Parry Ltd., Ennore & Ranipet	38,610	—	—	—	—	51,480‡

Region/State/Factory	Diammonium phosphate (18-46-0)	Nitro-phosphate (20-20-0)	Urea ammonium phosphate (28-28-0) & NPK Mixture (17-17-17) & (14-28-14)	Super-phosphate (16% P_2O_5)	Triple super-phosphate (45% P_2O_5)	Total N	Total P_2O_5
	7	8	9	10	11	12	13
			(360,000)$				
SOUTH			**260,000*****	**526,630**	—	**564,190**	**289,480**
Andhra Pradesh	—	—	(260,000)***	(166,230)	—	80,000	99,590
Coromandel Fertilisers Ltd., Visakhapatnam	—	—	260,000	—	—	80,000	73,000
Hyderabad Chemicals & Fertilisers Ld., Maula Ali	—	—	—	41,900	—	—	6,700
Andhra Fertilisers Ltd., Tadepalli	—	—	—	40,000	—	—	6,400
Andhra Sugars Ltd. Tanuku	—	—	—	33,530	—	—	5,360
Krishna Industrial Corpn., Nidadavole	—	—	—	50,800	—	—	8,130
Kerala	—	—	—	(44,710)	—	(234,000)	(43,350)
The Fertilisers & Chemicals Travancore Ltd., Alwaye*	—	—	—	44,710	—	82,000	43,350
Cochin Fertiliser Project, Cochin	—	—	—	—	—	152,000	—
Mysore	—	—	—	(74,170)	—	—	(11,860)
Mysore Chemicals & Fertilisers Ltd., Belagula	—	—	—	33,530	—	—	5,360
Chamundi Chemicals & Fertilisers Ltd., Munirabad	—	—	—	40,640	—	—	6,500
Tamil Nadu	—	—	(360,000)$	(241,520)	—	(250,190)	(134,680)
Neyveli Lignite Corporation Ltd., Neyveli	—	—	—	—	—	70,000	—
E.I.D.—Parry Ltd., Ennore & Ranipet	—	—	—	40,000	—	16,190	16,730

(*Contd.*)

Factorywise, Productwise Licensed Capacity of Fertilisers as on April 1, 1972—(*Contd.*)

(tonnes)

Region/State/Factory	Ammonium sulphate (20.6% N)	Ammonium sulphate nitrate (26% N)	Calcium ammonium nitrate (25% N)	Urea (46% N)	Ammonium chloride (25% N)	Ammonium phosphate sulphate (16-20-0) & (20-20-0)
	1	2	3	4	5	6
Blue Mountain Estates & Ind., Ltd., Ennore	—	—	—	—	—	—
Coimbatore Pioneer Fertilisers Ltd., Coimbatore	—	—	—	—	—	—
Premier Fertilisers Ltd., Cuddalore	—	—	—	—	—	—
Shaw Wallace & Co. Ltd., Avadi	—	—	—	—	—	—
Madras Fertilisers Ltd., Manalia+	—	—	—	210,000	—	—
WEST	148,000	—	—	463,000	—	—
Gujarat	(148,000)	—	—	(364,000)	—	—
Gujarat State Fertiliser Co. Ltd., Baroda	148,000	—	—	364,000	—	—
Adarsh Chemicals & Fertilisers Ltd., Udhna	—	—	—	—	—	—
Alembic Chemicals Works Co. Ltd., Baroda	—	—	—	—	—	—
Anil Starch Product Ltd., Bhavnagar	—	—	—	—	—	—
Maharashtra	—	—	—	(99,000)	—	—
The Fertilizer Corporation of India Ltd., Trombay	—	—	—	99,000	—	—
Bharat Fertiliser Ind. Ltd., Bombay	—	—	—	—	—	—
Dharamsi Morarji Chemical Co. Ltd., Ambernath	—	—	—	—	—	—
Eastern Chemical Co. Ltd., Bombay	—	—	—	—	—	—
Western Chemical Industries Ltd., Bombay	—	—	—	—	—	—
West India Chemicals Ltd., Loni-Kalbhore	—	—	—	—	—	—

Region/State/Factory	Diammonium phosphate (18-46-0)	Nitro-phosphate (20-20-0)	Urea ammonium phosphate (28-28-0) and NPK Mixture (17-17-17) (14-28-14)	Super-phosphate (16% P_2O_5)	Triple super-phosphate (45% P_2O_5)	Total N	Total P_2O_5
	7	8	9	10	11	12	13
Blue Mountain Estates & Ind. Ltd., Ennore	—	—	—	44,710	—	—	7,150
Coimbatore Pioneer Fertilisers Ltd., Coimbatore	—	—	—	40,640	—	—	6,500
Premier Fertilisers Ltd., Cuddalore	—	—	—	40,640	—	—	6,500
Shaw Wallace & Co. Ltd., Avadi	—	—	—	75,530	—	—	12,800
Madras Fertilisers Ltd., Manali+	—	—	360,000$	—	—	164,000	85,000
WEST	108,000	180,000	—	228,660	27,000	297,000	134,570
Gujarat	(108,000)	—	—	(90,530)	—	(216,000)	(64,320)
Gujarat State Fertiliser Co. Ltd., Baroda	108,000	—	—	—	—	216,000	50,000
Adarsh Chemicals & Fertilisers Ltd., Udhna	—	—	—	33,530	—	—	5,360
Alembic Chemicals Works Co. Ltd., Baroda	—	—	—	23,470	—	—	3,600
Anil Starch Product Ltd., Bhavnagar	—	—	—	33,530	—	—	5,360
Maharashtra	—	(180,000)	—	(138,130)	(27,000)	(18,000)	(70,250)
The Fertilizer Corporation of India Ltd., Trombay	—	(180,000)	—	—	—	81,000	36,000
Bharat Fertiliser Ind. Ltd., Bombay	—	—	—	22,500	—	—	3,600
Dharamsi Morarji Chemical Co. Ltd., Ambernath	—	—	—	73,160	27,000	—	23,860
Eastern Chemical Co. Ltd., Bombay	—	—	—	5,590	—	—	890
Western Chemical Industries Ltd., Bombay	—	—	—	3,350	—	—	540
West India Chemicals Ltd., Loni-Kalbhore	—	—	—	33,530	—	—	5,360

(*Contd.*)

Factorywise, Productwise Licensed Capacity of Fertilisers as on April 1, 1972—(*Contd.*)

(tonnes)

Region/State/Factory	Ammonium sulphate (20.6%N)	Ammonium sulphate nitrate (26%N)	Calcium ammonium nitrate (25%N)	Urea (46%N)	Ammonium chloride (25%N)	Ammonium phospnate sulphate (16-20-0) & (20-20-0)
	(1)	(2)	(3)	(4)	(5)	(6)
CENTRAL	32,600	—	—	854,320	40,640	—
Madhya Pradesh	(32,600)	—	—	—	—	—
Hindustan Zinc Ltd., Bhilai	32,600	—	—	—	—	—
Dharamsi Morarji Chemical Co. Ltd., Kumhari	—	—	—	—	—	—
Rajasthan	—	—	—	(240,000)	—	—
Hindustan Steel Ltd., Debari	—	—	—	—	—	—
Shriram Chemical Industries, Kota	—	—	—	240,000	—	—
Uttar Pradesh	—	—	—	(614,320)	(40,640)	—
The Fertilizer Corpn. of India Ltd., Gorakhpur	—	—	—	179,320	—	—
New Central Jute Mills Co. Ltd., Varanasi	—	—	—	—	40,640	—
Ralli Chemicals Ltd., Magarwara	—	—	—	—	—	—
Indian Explosives Ltd., Kanpur	—	—	—	435,000	—	—
Delhi	—	—	—	—	—	—
D.C.M. Chemical Works, Delhi	—	—	—	—	—	—
NORTH	—	—	320,000	—	—	—
Punjab	—	—	(320,000)	—	—	—
The Fertilizer Corporation of India Ltd., Nangal	—	—	320,000	—	—	—
EAST	516,620	50,000	480,000	73,000	—	—
Assam	(100,000)	—	—	(55,000)	—	—
The Fertilizer Corpn. of India Ltd., Namrup	100,000	—	—	55,000	—	—
Associated Ind. (Assam) Ltd., Chandrapur	—	—	—	—	—	—

Region/State/Factory	Diammonium phosphate (18-46-0)	Nitro-phosphate (20-20-0)	Urea ammonium phosphate (28-28-0) and NPK Mixture (17-17-17) & (14-28-14)	Super-phosphate (10% P_2O_5)	Triple super-phosphate (45% P_2O_5)	Total	
						N	P_2O_5
	7	8	9	10	11	12	13
CENTRAL	—	—	—	267,960	—	406,880	54,870
Madhya Pradesh	—	—	—	(75,000)	—	(6,720)	(12,000)
Hindustan Zinc Ltd., Bhilai	—	—	—	—	—	6,720	—
Dharamsi Morarji Chemical Co. Ltd., Kumhari	—	—	—	75,000	—	—	(12,000)
Rajasthan	—	—	—	(75,000)	—	(110,000)	(12,000)
Hindustan Steel Ltd., Debari	—	—	—	75,000	—	—	12,000
Shriram Chemical Industries, Kota	—	—	—	—	—	110,000	—
Uttar Pradesh	—	—	—	(60,960)	—	(290,160)	(9,750)
The Fertilizer Corp. of India Ltd., Gorakhpur	—	—	—	—	—	80,000	—
New Central Jute Mills Co. Ltd., Varanasi	—	—	—	—	—	10,160	—
Ralli Chemicals Ltd., Magarwara	—	—	—	60,960	—	—	9,750
Indian Explosives Ltd., Kanpur	—	—	—	—	—	200,000	—
Delhi	—	—	—	(132,000)	—	—	(21,120)
D.C.M. Chemical Works, Delhi	—	—	—	132,000	—	—	21,120
NORTH	—	—	—	—	—	80,000	—
Punjab	—	—	—	—	—	(80,000)	—
The Fertilizer Corporation of India Ltd., Nangal	—	—	—	—	—	80,000	—
EAST	—	—	—	151,530	—	(274,910)	(24,230)
Assam	—	—	—	(33,530)	—	(45,000)	(5,360)
The Fertilizer Corpn. of India Ltd., Namrup	—	—	—	—	—	45,000	—
Associated Ind. (Assam) Ltd., Chandrapur	—	—	—	33,550	—	—	5,360

(*Contd.*)

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सतना (मध्य प्रदेश)

बिड़ला सीमेन्ट वर्क्स
चित्तौड़गढ़ (राजस्थान)

प्रो० बिड़ला जूट मैन्यूफेक्चरिंग कं० लि०, कलकत्ता-१
(सीमेन्ट डिवीज़न)

Factorywise, Productwise Licensed Capacity of Fertilisers as on April 1, 1972—*(Contd.)*

(tonnes)

Region/State/Factory	Ammonium sulphate (20.6%N)	Ammonium sulphate nitrate (26%N)	Calcium ammonium nitrate (25%N)	Urea (46%N)	Ammonium chloride (25%N)	Ammonium phosphate sulphate (16-20-0) & (20-20-0)
	(1)	(2)	(3)	(4)	(5)	(6)
Bihar	(344,420)	(50,000)	—	(18,000)	—	—
The Fertilizer Corpn. of India Ltd., Sindri	320,000	50,000	—	18,000	—	—
Burrakur Coal Co. Ltd., Bansjora	1,320	—	—	—	—	—
Tata Iron & Steel Co. Ltd., Jamshedpur	23,100	—	—	—	—	—
Bihar State Superphosphate Factory Sindri	—	—	—	—	—	—
Orissa	(28,000)	—	(480,000)	—	—	—
Hindustan Steel Ltd., Rourkela	28,000	—	480,000	—	—	—
West Bengal	(44,200)	—	—	—	—	—
Hindustan Steel Ltd., Durgapur	21 200	—	—	—	—	—
Indian Iron & Steel Co. Ltd., Burnpur Kulti	23,000	—	—	—	—	—
Jayshree Chemical & Fertiliser Ltd., Khardah	—	—	—	—	—	—
Phosphate Co. Ltd., Rishra	—	—	—	—	—	—
All-India	933,830	50,000	800,000	2,100,820	65,640	222,980

Region/State/Factory	Diammonium phosphate (18-46-0)	Nitro-phosphate (20-20-0)	Urea ammonium phosphate (28-28-0) and NPK Mixture (17.17.17) (14-28-14)	Super-phosphate (16%P.O.)	Triple super-phosphate (46%P.O.)	Total N	Total P.O.
	7	8	9	10	11	12	13
Bihar	—	—	—	(23,470)	—	(95,030)	(3,750)
The Fertilizer Corpn. of India Ltd., Sindri	—	—	—	—	—	90,000	—
Burrakur Coal Co. Ltd., Bansjora	—	—	—	—	—	270	—
Tata Iron & Steel Co. Ltd., Jamshedpur	—	—	—	—	—	4,760	—
Bihar State Superphosphate Factory, Sindri	—	—	—	23,470	—	—	3,750
Orissa	—	—	—	—	—	(125,770)	—
Hindustan Steel Ltd., Rourkela	—	—	—	—	—	125,770	—
West Bengal	—	—	—	(94,530)	—	(9,110)	(15,120)
Hindustan Steel Ltd., Durgapur	—	—	—	—	—	4,370	—
Indian Iron & Steel Co. Ltd., Burnpur Kulti	—	—	—	—	—	4,740	—
Jayshree Chemical & Fertiliser Ltd., Khardah	—	—	—	33,530	—	—	5,360
Phosphate Co. Ltd., Rishra	—	—	—	61,000	—	—	9,760
All-India	108,000	180,000	260,000*** 360,000$	1,249,780	27,000	1,471,180	503,510

Notes :

* Includes fourth stage expansion for 22,000 tonnes of N and 9,200 tonnes of P_2O_5 commissioned during September 1971.

** This material is not used for agricultural purposes.

*** This capacity is of Urea ammonium phosphate of M/s Coromandel Fertilisers Ltd., Vizag, A.P. They are producing UAP of three different grades.

† Of grade 20-20-0.

+ Went into production during October 1971.

†† Of grade 16-20-0.

§ Two types of NPK Complex fertilisers (14-28-14) and (17-17-17) are persently produced.

Source : Fertilizer Association of India: Annual Review—1971-72.

Sluggish steps of steel

THE SHORTAGE of steel has slowed down the pace of expension of many industries, particularly engineering, during the past two years. It has not only reduced the supply of engineering goods for the domestic market but has also hurt exports. At one time, the allocation of billets to the Engineering Export Promotion Council was reduced to one-fifth of the usual allotment which caused great hardship to exporters. At the time of writing, there is a substantial gap between the demand for steel and its supply by indigenous producers resulting in sizeable imports of steel. Despite a heavy import bill due to steel imports, the hiatus between demand and supply remains largely uncovered.

Shortage, how long?

How long will this shortage in the availability of steel continue? When will the gap between demand and supply be bridged by domestic manufacturers of steel? How is this country going to face the challenge of rising demand for steel during the current decade? In order to seek a firm answer to all these questions, it is necessary to recapitulate the history of this industry, post-Independence, with particular reference to our failings in recent years. There is no doubt that our capabilities have improved considerably but certain unwise steps taken in the past have held up the progress of this industry. It is essential that we should not err again.

The production of steel in this country was a little more-than a million tonnes in 1947, and it stayed at that level for many years because the country was busy consolidating its position through various political and economic moves. The modest success on the food front, especially of the first five-year Plan (1951-52—1955-56) impelled the planners to chalk out schemes for the installation of new steel plants and the expansion of the existing ones. The Industrial Policy Resolution of 1956 stipulated that all new steel plants would come into being under the auspices of the state. The steel plants at Bhilai (Madhya Pradesh), Rourkela, (Orissa) and Durgapur (West Bengal) were set up by the government of India. The Tata Iron and Steel Co. Ltd. (TISCO) was allowed to double its capacity. Similarly Mysore Iron and Steel Ltd. and Indian Iron and Steel Co. (IISCO) were also allowed to expand their capacities.

Slow progress

Tables I, IIA and IIB show the progress made by this country since 1947 in the production of steel. It is clear that the output of steel ingots has multiplied more than six times while the capacity of steel plants has multiplied ten times. Table III gives unit-wise capacity and production of steel ingots in 1970-71 and 1971-72. Because the steel plants have not been able to attain their rated capacities —and this applies particularly to Rourkela, Durgapur and IISCO — currently the country is passing through a period of severe steel shortage. The imported steel has been able to fill a part of the gap between demand and supply and not the whole of it. TISCO has the best record with utilisation of capacity at 85.5 per cent followed by Bhilai at 78.2 per cent and IISCO at 61.7 per cent. Rourkela and Durgapur were not able to utilise even half of their installed capacities. It may be recalled that a serious mishap occurred on July 11, 1971, at Rourkela when the complete roof structure of the LD section of the steel melting shop collapsed. The accident brought into sharp focus the problem of maintenance of steel plants which has not received adequate attention in the public sector plants particularly.

Three major factors are reported to be responsible for under-utilisation of capacity of steel units. They are: (a) technological difficulties (b) managerial differences, and (c) labour unrest. The technological difficulties include neglect of maintenance as in the case of Rourkela, failure to replace in time certain components and machinery which have outlived their certified period of life, paucity of refractories of the desired quality and the tight inventory position in regard to certain components and tools which need quick replacement. All these are manageable problems and recently some steps have been taken to tackle them. Wherever necessary imports of components and equipment have been allowed. The managerial bottlenecks have been caused partly by frequent changes of top executives. Hardly has a manager fully understood the problems facing the unit, he is replaced by another. Frequent changes at the ministerial level also have an unsettling effect. The managements of steel plants should enjoy a fair degree of autonomy if they are to be held responsible for results. The labour unrest has caused great harm to the Durgapur plant. The recent appointment of a labour leader as the general manager of this plant is a new experiment.

Again, the performance of IISCO has not been up to the mark as indicated above. The government of India took over the management of this plant this year under the pretext that it had not been able to do well. TISCO is now the only steel plant in the private sector but no less than 40 per cent of its share capital is owned by public sector agencies. How long this unit will be allowed to remain in the private sector is anybody's guess. At least the charge of mismanagement cannot be

TABLE I

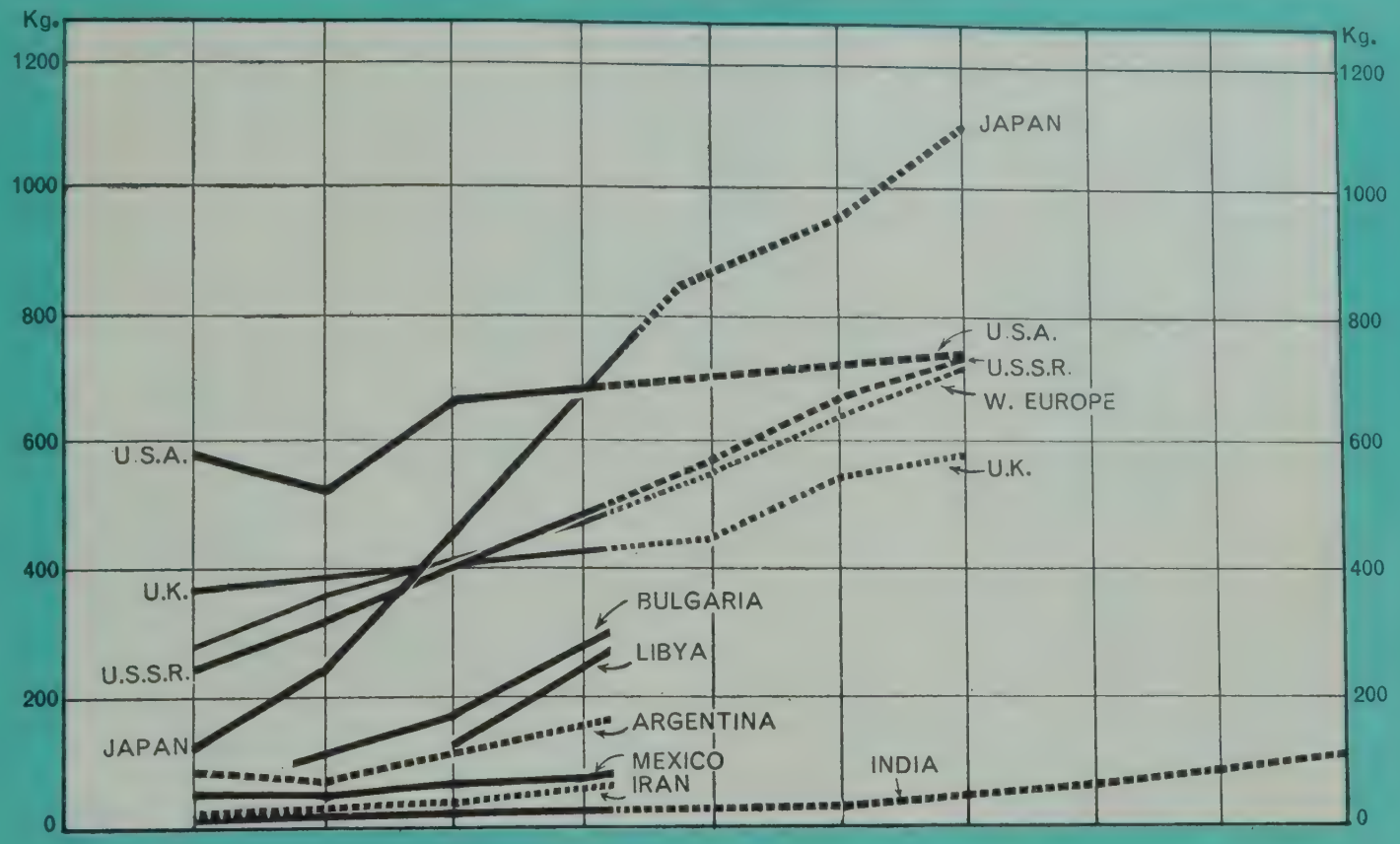
Production of Iron & Steel: 1947-1965

(Million tonnes)

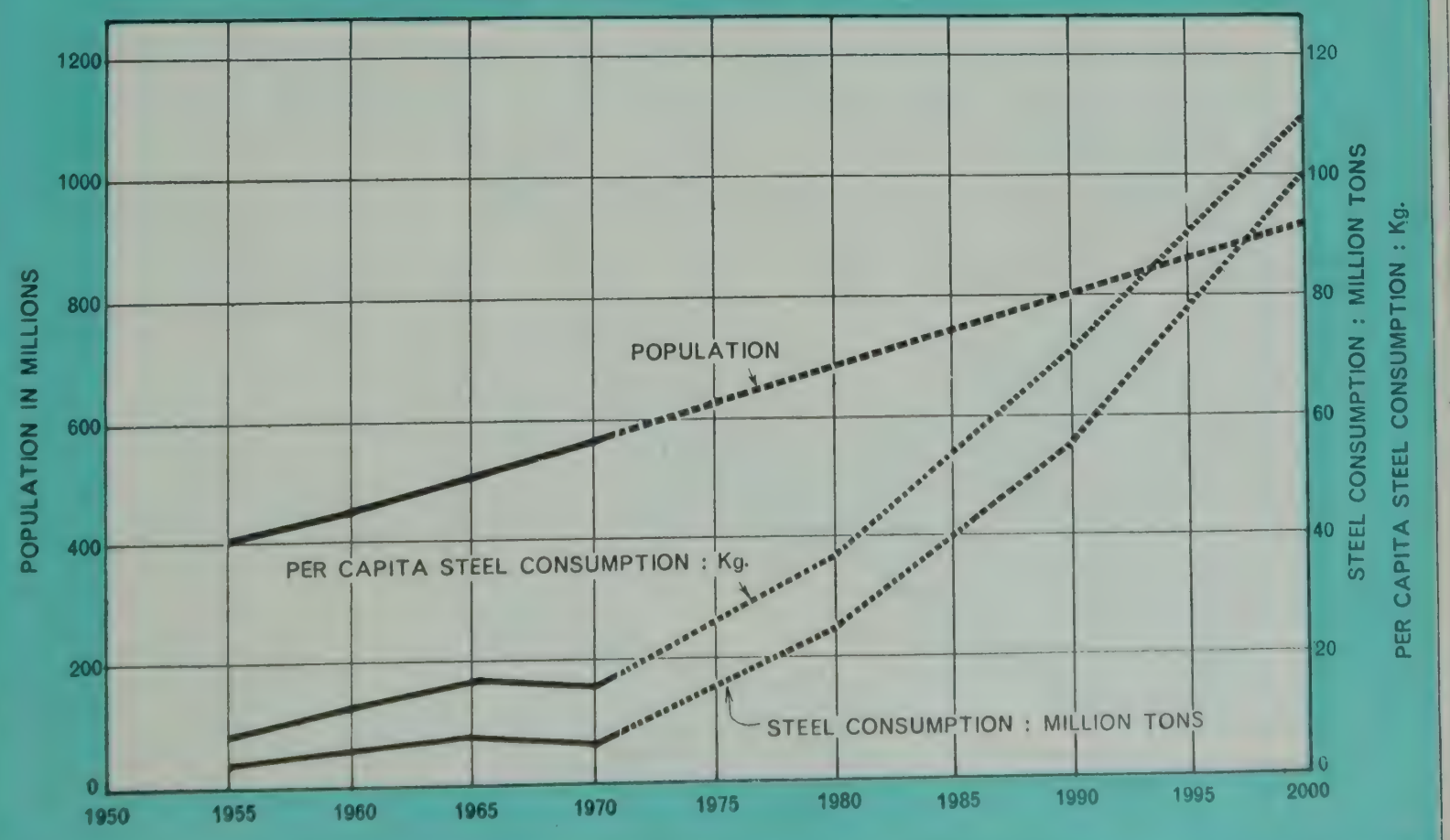
Unit	Pig iron	Semi-finished steel	Steel ingots	Finished steel
1947	1.3	1.0	1.3	0.9
1948	1.4	1.0	1.3	0.9
1949	1.5	1.1	1.4	1.0
1950	1.6	1.1	1.4	1.0
1951	1.7	1.3	1.5	1.1
1952	1.7	1.3	1.6	1.1
1953	1.7	1.3	1.5	1.0
1954	1.8	1.5	1.7	1.3
1955	1.8	1.5	1.7	1.3
1956	1.8	1.5	1.8	1.4
1957	1.8	1.5	1.7	1.4
1958	2.0	1.6	1.8	1.3
1959	3.1	2.3	2.5	1.8
1960	4.1	3.5	3.3	2.2
1961	4.9	1.0	4.1	2.8
1962	5.8	1.1	5.1	3.6
1963	6.6	1.2	6.0	4.3
1964	6.6	1.1	6.0	4.3
1965	7.0	1.0	6.4	4.5

PER CAPITA CONSUMPTION OF STEEL

(INDIA AND SELECTED COUNTRIES)



STEEL CONSUMPTION IN INDIA



RISING DEMAND FOR INORGANIC CHEMICALS : 1950—1979



levelled against this steel company as its performance has been superior to most of the public sector plants. If it is taken over by the state it would be for any other reason but its performance. At a meeting of the Consultative Committee of Parliament attached to the Ministry of Steel and Mines held on December 13, 1972, a demand was made by some members that TISCO should be nationalised but it was turned down by the steel minister, Mr Mohan Kumaramangalam. The reasons given by him for not taking over this steel unit were: (a) the public financial units already have a substantial holding in the company; (b) the government of India is represented on the board of directors by the secretary of the Steel and Mines Ministry; (c) when the steel holding company is set up, it will act as the nominee of the public financial institutions holding shares in TISCO.

It may be stated that the steel plants set up by the public sector at Rourkela, Durgapur and Bhilai were turn-key projects in collaboration with West Germany, the UK and the USSR respectively. This country turned a new leaf with the decision to set up a gigantic steel plant at Bokaro with a capacity of four million tonnes. This fourth steel plant in the public sector sought to reduce our dependence on the collaborating country by utilising the capacities of the indigenous units for providing those equipments and components which could be fabricated in this country. Bokaro thus triggered into activity the Heavy Engineering Corporation at Ranchi, the Mining and Allied Machinery Corporation at Durgapur, the Heavy Electricals at Bhopal, the three units of Bharat Heavy Electricals at Hardwar, Hyderabad and Tiruchirapalli, and Instrumentation Limited at Kota. Many other units provided essential equipment to Bokaro. Indian consultants

TABLE II A

Production of Steel Ingots
(1961-62 — 1971-72)

(In thousand tonnes)

Year	Bhilai	Durgapur	Rourkela	TISCO	IISCO	Total (1-5)	MISL	Others	Grand total
	1	2	3	4	5	6	7	8	9
1961-62	789	462	354	1,643	934	4,182	49	54	4,285
1962-63	1,060	731	700	1,799	1,002	5,292	46	57	5,395
1963-64	1,143	972	800	1,892	1,027	5,834	48	63	5,945
1964-65	1,131	1,006	979	1,956	950	6,012	47	69	6,138
1965-66	1,371	1,001	1,065	1,979	970	6,386	69	72	6,527
1966-67	1,852	754	943	2,001	897	6,447	75	75	6,597
1967-68	1,785	738	924	1,933	791	6,171	91	70	6,332
1968-69	1,735	823	1,162	1,816	777	6,313	120	73	6,506
1969-70	1,876	818	1,104	1,708	700	6,206	136	92	6,434
1970-71	1,940	634	1,038	1,715	627	5,954	91	94	6,139
1971-72*	1,954	700	823	1,709	617	5,803	133	364	6,300

*Provisional.

Sources: (i) Statistics for Iron and Steel Industry in India (issued by HSL).
(ii) Iron and Steel Control Bulletin.

TABLE IIB

Production of Finished Steel
(1961-62—1970-71)

(In thousand tonnes)

	Bhilai	Durgapur	Rourkela	TISCO	IISCO	Total (1-5)	MISL	Others	Grand total
	1	2	3	4	5	6	7	8	9
1961-62	354	81	178	886	557	2,056	39	844	2,939
1962-63	555	233	427	977	632	2,852	39	1,000	3,864
1963-64	658	374	527	1,035	652	3,246	41	1,009	4,296
1964-65	654	493	626	1,108	637	3,518	39	876	4,433
1965-66	726	511	717	1,084	623	3,661	49	800	4,510
1966-67	722	391	638	1,062	576	3,389	60	1,042	4,491
1967-68	690	342	602	1,002	451	3,087	70	896	4,053
1968-69	903	383	738	1,048	512	3,584	77	1,241	5,048
1969-70	1215	337	593	983	464	3,592	24	1,213	4,829
1970-71*	948	337	531	950	436	3,202	22	1,398	4,632

*Provisional.

Sources: (i) 1961-62 to 1962-63: Statistics for Iron and Steel Industry in India 1966 (issued by HSL.).
(ii) 1963-64 to 1970-71: Iron and Steel Control Bulletin.

helped in the design and engineering of the project. According to Mr M. Sondhi, Managing Director of Bokaro, "about 90 per cent of the building structures, 100 per cent of technological structures, 65 per cent of mechanical equipment, 48 per cent of electrical equipment, 80 per cent of instrumentation and 60 per cent of refractories" for Bokaro were obtained indigenously. At the first stage, Bokaro will have a capacity of 1.7 million tonnes which at the second stage will rise to 4.0 million tonnes. The government of India has decided to launch a crash programme for achieving a capacity of 2.5 million tonnes of steel ingots in between the two stages mentioned above. At the International Seminar of Economic Journalists held in the capital between December 4 and 9, 1972, Mr M. Sondhi is reported to have said that, after the second stage, Bokaro's capacity could be raised from 4.0 to 4.75 million tonnes at much reduced cost and, in fact, the capacity at Bokaro could ultimately be raised to 10 million tonnes a year.

New plants

The decision has already been taken by the government to set up three new steel plants in the public sector in the coming years at Salem (Tamil Nadu), Visakhapatnam (Andhra Pradesh) and Vijayanagar (Mysore). Feasibility reports in regard to these projects have already been prepared and all of them are likely to be completed in the sixth five-year Plan period. It may be recorded here that it takes nearly seven to eight years to complete a steel plant after the preparation of the feasibility reports. Location studies have already been initiated and it is now a foregone conclusion that a major portion of the construction work of these integrated plants would be completed in the fifth five-year Plan period.

The three steel plants in the southern states have been approved by the centre not because they are economically viable but because of political pressures. Dastur and Co., the consultants for the Visakhapatnam project, have estimated that the plant would cost Rs 747 crores with a capacity of two million tonnes ingot. Even on the basis of hundred per cent utilisation of capacity, the plant would incur a loss of Rs 45 crores a year. Also, the Central Engineering and Design Bureau of HSL, consultants for the Vijayanagar plant, have estimated that the project would cost Rs 750 crores for two million tonnes ingot capacity and the annual loss on the basis of 90 per cent capacity utilisation would be Rs 75 crores a year.

Rising cost

Since these plants will take more than seven years to fructify, the cost estimates are likely to rise further. It may be recalled that the first estimate of Bokaro with a capacity of four million tonnes was about Rs 770 crores which ultimately exceeded Rs 1,000 crores. The delay in the implementation of these projects by each month will tend to inflate their costs and ultimately their losses.

The Salem plant is in a class apart. Its cost has been estimated at Rs 340 crores. It will have an annual capacity of 195,000 tonnes of sheets and strips consisting of 70,000 tonnes of stainless steel, 75,000 tonnes of electrical steel and 50,000 tonnes of other special steels. The first phase will be completed in two stages. At the first stage, the cold rolling mills will be established with imported hot rolled bands as feedstock. At the second stage capacity will be established for the production of hot metal. The first phase will be completed in three years. In the second phase, steel scrap will be fed into electric arc furnaces for conversion into stainless steel. This phase will take 18 months for completion. Another 18 months will be taken by the last phase in which high-silicon electrical steel will be produced by smelting the Kanjamalai ore in electric pig iron furnaces.

The work of the setting up of new plants and the expansion of Bokaro and other public sector plants would be handled by the Hindustan Steel Works Construction Ltd. (HSCL) which has come into being specifically to conserve the experienced personnel of the steel plants and to develop the necessary expertise and skill needed in the establishment of the steel industry. But for the institution of this undertaking, the valuable experience of skilful engineers who have been associated with Bokaro would have been lost to the country. In the setting up of new steel plants and the expansion projects, the HSCL is expected to play a useful part.

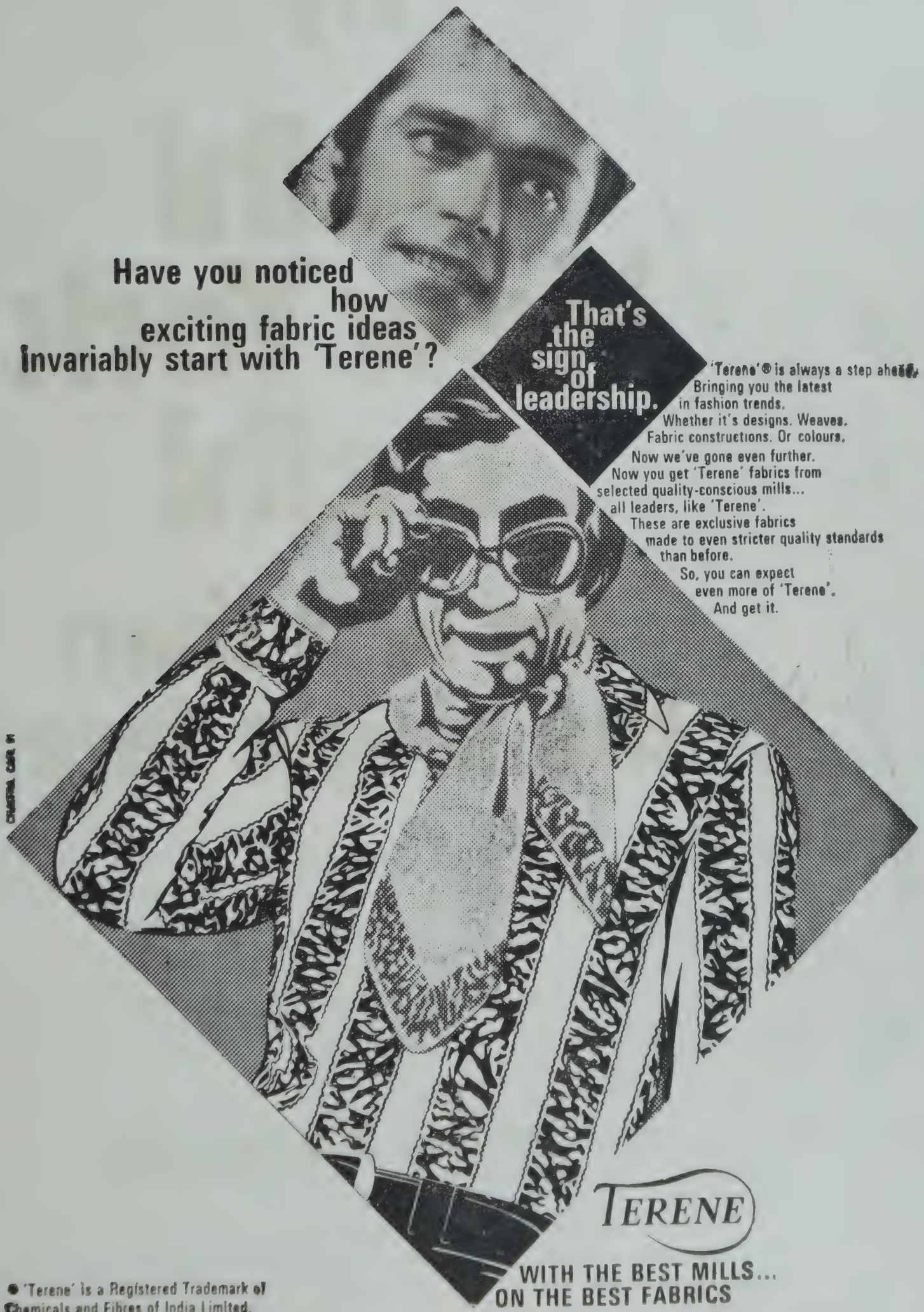
The government has recently decided to set up a holding company for steel and associated input industries such as manganese ore, Iron ore, coking coal etc. This company will own the shares of all the public sector corporations dealing with these commodities It is also proposed that the holding company "should act as the nominee of public sector financial institutions which possess shares in private sector companies, mining companies, refractory units and smaller steel producing organisations". The holding company will, according to the government of India, formulate long-term programmes of development, arrange for effective canalising of surpluses into further expansion of steel industry and supervise the working of all the companies which come under its control. The central idea, it is claimed, is to rid the public sector of the bureaucratic control which is deemed to have slowed down its progress. Based on the pattern of ENI of Italy, the holding company is expected to cut out all red tape and expedite the working of this industry. While the Minister for Steel and Mines, Mr Mohan Kumaramangalam, has been vigorously pleading in favour of the scheme, the critics are not fully convinced of the efficacy of the solution which

TABLE III

Capacity and Production of Steel 1970-71 and 1971-72

(In thousand tonnes)

	1970-71			1971-72	
	Rated capacity	Production	% of rated capacity	Production	% of rated capacity
1. Hindustan Steel Ltd.					
(a) Bhilai Steel Plant	2,500	1,940	77.6	1,954	78.2
(b) Rourkela Steel Plant	1,800	1,038	57.6	823	45.7
(c) Durgapur Steel Plant	1,600	634	39.6	700	43.8
Total HSL	5,900	3,612	61.2	3,477	58.9
2. Tata Iron and steel Co Ltd	2,000	1,715	85.8	1,709	85.5
3. Indian Iron & Steel Co	1,000	627	62.7	617	61.7
4. Main plants (1+2+3)	8,900	5,954	66.9	5,803	65 2
5. Others including Mysore Iron and Steel Ltd		184		497	
Grand Total		6,138		6,300	



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the minister has devised for eliminating the ills which plague this industry. The bureaucracy will still be in the saddle because it is through it that the holding company will be answerable to Parliament. And what is more, there is no surety that the holding company would be able to keep at bay all the criticism to which the HSL has been subjected hitherto. It is doubtful if the holding company will have a freer hand than the HSL. The efforts of the HSL to conduct its affairs independently as a business enterprise have failed due to bureaucratic and political pressures. It has not been conclusively proved that the multi-tier system devised under the holding company would be more efficient than the present one.

Total capacity

The total capacity (in terms of ingots) of the five major steel plants (Bhilai, Rourkela, Durgapur, TISCO, and IISCO) totalled 8.9 million tonnes at the end of 1971-72. The Mysore Iron and Steel and others had an additional capacity of 0.5 million tonnes. In other words, the total capacity of all steel plants in this country was 9.4 million tonnes as against production of 6.3 million tonnes. It is highly likely that work on the 2.5 million tonnes stage at Bokaro would be completed in 1973-74, taking the total steel capacity of this country to 11.9 milion tonnes. Unfortunately, the experience of the steel industry in this country shows that installed capacity is not equivalent to attainable capacity. In 1971-72, only 68 per cent of the capacity was effectively utilised. Even if we assume that all the steel plants in this country including Bokaro would operate at 75 per cent efficiency, the total expected production of steel in 1973-74 would be 8.93 million tonnes. In terms of finished steel, it would be 6.84 million tonnes.

The National Council of Applied Economic Research, in its study entitled "Demand for Steel: 1975 and 1980" has estimated that the total demand for finished steel (mild) in 1975 would be 7.6 million tonnes. Including the demand for alloy and special steel, the aggregate total would rise to 8.1 million tonnes. Between 1973-74 and 1975, no new steel plant is likely to be commissioned. It would be seen that the gap between demand and supply would be of the order of 1.3 million tonnes.

The alternatives

Two alternatives are open to this country. Either to import steel for covering up the deficiency or to raise the capacity of utilisation of the existing plants. If all the plants in the public as well as the private sector work at 85 per cent capacity, then there is a possibility of matching demand with supply, In that case this country would have to import small quantities of certain special varieties which our plants might not produce in adequate quantities. But this is a big "If" indeed. As Table III clearly shows, in 1971-72, except for TISCO no other steel plant was able to operate at that level of efficiency.

Again, the National Council of Applied Economic Research has estimated that the total demand for finished steel in 1980 would be around 13.9 million tonnes. On the assumptions that (a) steel plants operate at 75 per cent of capacity and (b) each steel ingot yields three-fourths of its volume in the shape of finished steel, this country will need to raise the installed capacities of its plants including the new ones to 24.7 million tonnes. In other words, the capacity of the steel plants in this country will need to be more than doubled from 11.9 million tonnes in 1973-74 to 24.7 million tonnes in 1980. This order of demand can be met by a number of permatations and computations. Table IV shows one of the most probable ways of attaining the desired capacity. TISCO has already submitted a proposal to the government to expand its production to four million tonnes. The technical feasibility of expanding the capacity at this unit is currently being studied by the government. Because a final decision has not been taken in this regard, no decision has as yet been taken on tying up finance for expansion. The government has also undertaken a feasibility study to expand Bhilai steelworks to four million tonnes from the present capacity of 2.5 million tonnes (ingots). What needs to be emphasised is that all possible steps should be taken not to delay either the expansion of the existing plants or the setting up of the new ones.

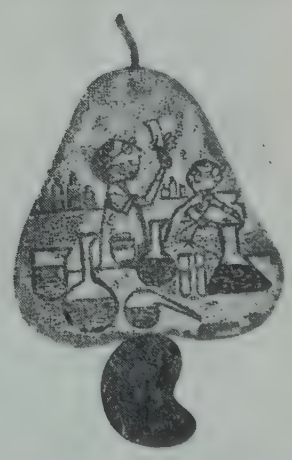
In order to augment the supply of steel in the country, the government of India has recently issued 19 letters of intent for the establishment of mini steel plants in different parts of the country. No less than seven of these letters of intent have been issued to state government undertakings. A mini steel plant has the capacity of 10,000 to 50,000 tonnes per annum and produces steel by melting ferrous scrap in electric arc furnaces. It means that it is economical to set up these plants in places where ferrous scrap and cheap power are available in plentiful. The chief equipment needed for this purpose is the electric arc furnace. The mini steel plant may produce pig iron or sponge iron depending upon the needs of the area where the plant is located. The chief

TABLE IV

Likely Capacities of Steel Plants in 1980
(Million tonnes)

Bhilai	4.0
Rourkela	3.0
Durgapur	3.0
TISCO	4.0
IISCO	2.5
Bokaro	4.7
Salem	0.2
Visakhapatnam	1.0
Vijaynagar	1.0
Mysore Iron & Steel	0.2
Mini Steel Plants	1.0
Total	24.7

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advantage of the mini steel plants is that they make profitable use of ferrous scrap which has hitherto been exported in large quantities. With the establishment of the mini plants for which letters of intent have already been issued by the government, the export of ferrous scrap will be stopped much to the advantage of this country. Already, in developed countries also, great stress is being laid on the setting up of mini plants. In the USA, more than five per cent (six million tonnes out of a total production of 119 million tonnes) of the total steel produced is from the mini plants. Needless to say, the capital cost for the establishment of the mini plant is not large. For a capacity of 50,000 tonnes a year, capital expenditure of the order of four crores of rupees would suffice.

In our anxiety to set up new plants for meeting the demands of certain pressure groups in the country, we should not shut our eyes to developments in steel industry in developed countries where plants with capacities of ten million tonnes each are being planned. We also must plan our steel projects in such a way that ultimately their capacities may be raised in order to attain reduction in manufacturing cost. At present, only Bokaro has been laid out in such a way that its capacity can ultimately be raised to 10 million tonnes. Bhilai is ready to be raised to 4.5 million tonnes but it is not known if its capacity also can be raised to 10 million tonnes.

Recently, Dr. M. N. Dastur, an eminent metallurgist and chairman of a steel consultancy firm in this country, estimated the probable future steel production in India, The forecasts made by him are set out in Table V. It will be seen that his estimate of steel (ingots) production in 1980 at 25 million tonnes is almost equivalent to the capacity forecast of 24.7 million tonnes worked out by us in the light of the findings ot the National Council of Applied Economic Research in relation to demand for steel. It is conceded that in order to attain the production of steel at 25 million tonnes in 1980 the capacity of the plants should be more than 30 million tonnes if the experience of recent years is to be a guide in this regard. In futuristics, neither Dr. Dastur nor we can be dogmatic.

What is worth noting is that since 1955-60, this country has been adding about a million tonnes of steel capacity almost every year. In all these years, we had to import bulk of the equipment needed for setting up the plants. Now this country has acquired vast capacities in fabricating machinery and equipment for the establishment of steel plants. This has been amply borne out by the recent experience at Bokaro. It follows that given the necessary determination, it will be possible to add to steel capacity at the rate of 1.8 million tonnes a year on the average during the seventies.

Dr Dastur has forecast that this country is likely to reach the goal of steel consumption at 100 kg per head in 2000 AD. Taking the population of India at 900 million at the end of the current century, it has been estimated that steel production should rise to 100 million tonnes. It implies addition of 3 million tonnes capacity every year between 1980 and 1990 and further addition of 4.5 million tonnes capacity a year between 1990 and 2000.

These forecasts may look like fairy tales today but surely they have a high probability of attainment in view of the fast strides which scientific and technological knowledge has taken during recent years all over the world and the capabilities which our manufacturing units continue to acquire year after year. These goals needs to be attained not as ends in themselves but because they constitute the means through which a faster rate of growth in the gross national product of the country can be brought about. The availability of steel in requisite volume can act as a catalytic agent in providing stimulus to expansion in the economy and all-round improvement in the standard of living of the people.

—S. P. Chopra

TABLE V

Probable Future Steel Production in India

Year	Population (millions)	Ingot teel consumption (million tons)	Per capita consumption (kg)
1955-56	390	3	8
1960-61	430	5	12
1965-66	483	7.5	16
1966-69		Plan holiday 3 years	
1970	547	7	13
1980	660 (Probable)	25 (probable)	38
1990	780 (probable)	55 (probable)	70
2000	900 (probable)	100	100



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Chemicals industry : a pace-setter

THE CHEMICALS industry includes not only the organic and inorganic chemicals but also such industries as petrochemicals, medical and pharmaceutical products, fertilisers, and pesticides. The present discussion includes all these sub-groups except fertilizers and pesticides. An effort has been made here to spotlight the likely shortages which might be witnessed in this fast-moving industry during the current decade and the steps which need to be taken to avoid hardships caused by shortfalls in production.

The chemicals industry is one of the fastest growing industries in our country, though many of its major components have failed to progress in keeping with demand. The fertilizer industry for example has been lagging behind because of a number of constraints. Among the heavy inorganic chemicals, soda ash has been slow in coming up resulting in forced imports in recent years. Some of the organic chemicals have also been sluggish with the result that the country had no option but to go in for imports in order to bridge the gap between demand and supply.

Inorganic chemicals

The output of heavy inorganic chemicals more than doubled between 1951 and 1960. With base as 1956=100, the index of heavy inorganic chemicals rose from 71.8 in 1951 to 173.0 in 1960. Again, a new index with base 1960=100 showed that production of these chemicals had more than trebled between 1960 and 1971. A linking of the two series of index numbers showed that the total production of these chemicals multiplied more then eight times between 1951 and 1971 recording a yearly rise of 11.3 per cent (compound). And during the current decade, the rate of growth of these industries is expected to be accelerated further.

Sulphuric acid

Among the heavy inorganic chemicals, sulphuric acid is a leader in the sense of being a basic industry on which the growth of a number of other industries is dependent. Over the past two decades its output has multiplied more than 10 times (from 104,000 tonnes in 1950 to 1.01 million tonnes in 1971). Its production has been subdued in recent years because of under-utilisation of capacity. Currently, the sulphuric acid plants are in a position to utilise only 50 per cent of their capacity. The government of India is fully aware of the growing demand for this important chemical and has issued licences and letters of intent which when fully implemented would raise the capacity of this industry above 4.0 million tonnes. At present, the installed capacity of this industry is around 2.0 million tonnes. The fifth five-year Plan has already Indicated that the output of sulphuric acid in 1978-79 would be around 3.3 million tonnes which is a realistic target provided all the letters of intent and licences materialise and the sulphuric acid plants operate more efficiently.

The progress of this industry is linked to that of the superphosphate units which utilise a major part of the output of this industry. Because the superphosphate units have not come up as fast as was expected earlier, the production of sulphuric acid has slowed down. Again, the output of sulphuric acid is dependent upon the supply of sulphur most of which is currently being imported. Efforts are being made to produce sulphur from pyrites and sulphurous gases thrown up as a by-product by non-ferrous metal plants. It is expected that the copper smelter units at Ghatsila and Khetri also would yield sulphuric acid. While all our requirements of sulphur for the manufacture of sulphuric acid may not be met by these indigenous sources, it is anticipated that at least up to 600,000 tonnes of sulphuric acid would be manufactured by utilising domestic sources of supply of sulphur.

Caustic soda

Next to sulphuric acid, caustic soda is the most important inorganic chemical. Its output has increased much faster than that of sulphuric acid. Between 1951 and 1971, its production multiplied 34 times (from 11,000 tonnes to 373,000 tonnes). The fourth five-year Plan has set the target of 500,000 tonnes in 1973-74 which may not be achieved. The installed capacity of all the soda ash plants is estimated to be about 372,000 tonnes per annum. Additional capacity equivalent to 320,000 tonnes per annum has been sanctioned by the government and some of the schemes are under implementation.

According to preliminary estimates, the total production of caustic soda in 1972 was about 396,000 tonnes against the estimated demand of 420,000 tonnes. The increase in production in 1972 has mainly been due to the maximum utilisation of available capacity by manufacturers. The government of India is currently working on a policy to ensure self-sufficiency in caustic soda on a long-term basis. The Alkali Manufacturers' Association of India (AMAI), Bombay, has recently submitted a few suggestions for the development of this industry. The association is of the view that indigenous demand for caustic soda would rise from 420,000 tonnes in 1972 to 810,000 tonnes in 1979. It has recommended that the industry should increase its production of this chemical not only to meet the domestic demand but also to starting exporting from 1973 onwards. It has provided for a token export of 5,000 tonnes in 1973 which should be steadily raised to 60,000 tonnes in 1979. The demand pattern of caustic soda as estimated by the AMAI is set out in the Table I.

The AMAI has estimated that the total deficit of caustic soda in 1972 would be about 15,000 tonnes. This estimate seems to be on the lower side. According to production data available for the first seven months of the current year, total output of caustic soda is likely to be a little less than 400,000 tonnes and not 405,000 tonnes as estimated by the AMAI. The deficit in 1972 would be not less than 20,000 tonnes which might rise to 25,000 tonnes in 1973. If the implementation of the licences already issued by the government is expedited, it is likely that a surplus would

TABLE I

Demand for Caustic Soda 1973-79

('000 tonnes)

Year	Indigenous Demand	Exports	Total Demand
1973	465	5	470
1974	505	12/15	520
1975	550	20/25	575
1976	605	30	635
1977	665	40	705
1978	735	50	785
1979	810	60	870

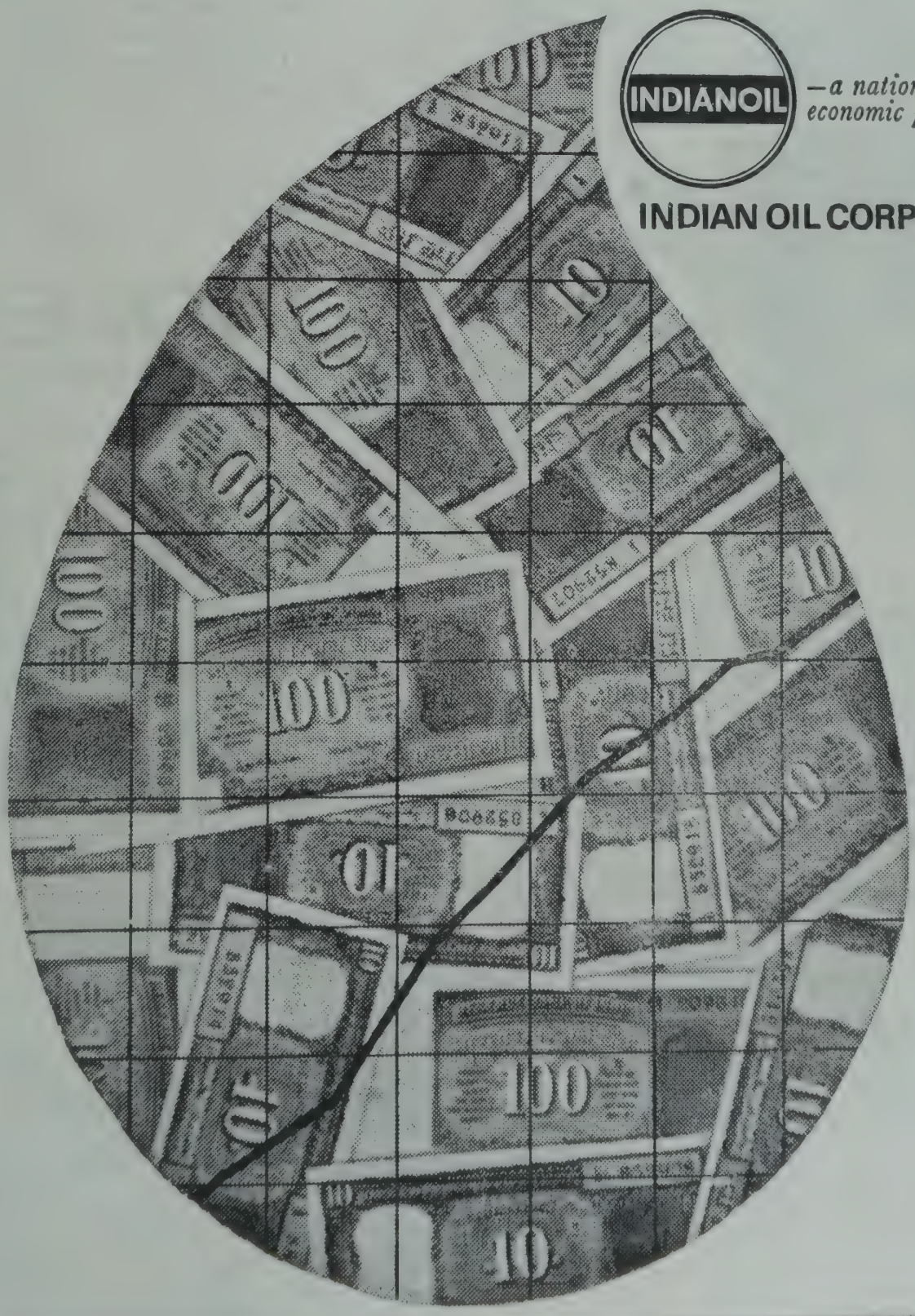
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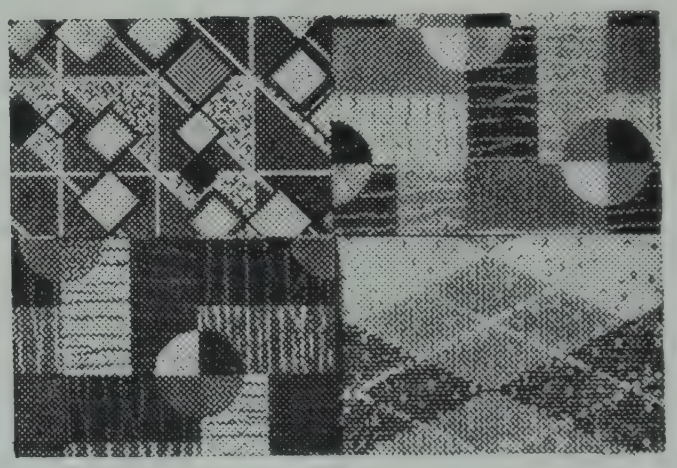
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emerge in 1974. But it will be wrong to assume that we will be able to utilise 100 per cent capacity as at present. The AMAI has made a justified assumption that as and when capacities are expanded or new units are set up, the utilisation of capacity may not rise above 80 per cent. On this basis, the total installed capacity of the units should increase to 1.1 million tonnes as shown in the Table II.

Chlorine

As against caustic soda which has a record utilisation of capacity at 100 per cent, chlorine has remained underutilised by a wide margin. In 1968, percentage of gainful utilisation of chlorine was as low as 68 per cent, it rose to 84 per cent in 1971. According to the AMAI, "the under-utilisation of chlorine has been a cross which the industry had to carry over the years". A happy result of the easy availabilty of chlorine during the past four years has been a substantial increase in the chlorine-based industries. Nearly 70 per cent of the chlorine produced in this country has been used as such while the balance has been consumed in the manufacture of hydrochloric acid.

There is wide divergence between official and non-official estimates of production of chlorine in this country. According to the Ministry of Petroleum and Chemicals, there were 22 units in this country in 1971 which had total installed capacity of 222,000 tonnes and production of 162,438 tonnes. However, the AMAI has estimated that the total production of chlorine in 1971 was of the order of 322,000 tonnes. Obviously, the difference is due to diversity in coverage. The AMAI has included a number of small producers of chlorine which have been left out by the official estimates. The association has also studied the probable production of chlorine in each year till 1979 in an effort to estimate the requirement of containers. Its findings are set out in Table III. It will be seen that the AMAI estimate indicates more than doubling in production from 322,000 tonnes in 1971 to 740,000 tonnes in 1979. As the industrial base of the industry expands further in the seventies, all the chlorine produced in the country is likely to be absorbed. The industry has faced in recent years the problem of storing this gas because of the shortages of containers. There is only one manufacturer of containers in the country even though six other companies have exhibited willingness to enter this field. There is ample justification in the plea of the AMAI that until indigenous manufacturers are in a position to meet the demand of the industry for containers, the government should allow their free import.

Organic chemicals

While the foundations of the inorganic chemicals industry in this country were laid in the fifties, a beginning was made in the installation of organic chemical plants in the sixties. Most of the organic chemicals were based on naphtha derived from petroleum. A number of plants were set up in collaboration with foreign companies and the manufacture of a wide range of solvents, plasticizers, plastics, resins, synthetic rubbers etc., was started in this country. Table IV below shows that five important organic chemicals were already being produced in small quantities in 1963. They were acetone (1,500 tonnes), acetic acid (6,000 tonnes), plasticizers (900 tonnes), butyl alcohol (3,500 tonnes) and formal dehyde (7,000 tonnes). By 1970, the installed capacities of all these chemicals had multiplied many times and a number of additional chemicals also appeared on the list. The annual rate of growth in many cases was between 15 and 20 per cent a year.

The Development Council for Organic Chemical Industries has prepared estimates for requirements of all these chemicals in 1973-74 and 1978 79. The leader among the organic chemicals is expected to be plasticizer alcohol whose requirement is expected to rise to 60,000 tonnes in 1978-79 followed by phthalic anhydride at 45,000 tonnes and acetic acid at 40,000 tonnes. It is not necessary to restrict the sizes of the plants tailored to domestic requirements. There is a vast market for organic chemicals in a number of countries and we should try to encourage their exports. This can be made possible by scientific market reseatch followed by genuine efforts to manufacture these chemicals up to international standards in quality. Also, research and development activities in this country have to be encouraged so as to manufacture the organic chemicals for which there is a market in foreign countries.

Petrochemicals

The petrochemicals industry is the handmaid of the oil refining industry. Naphtha, an important product of the oil refineries, is the feedstock of the petrochemical plants. As the capacity of the oil refineries in this country was expanded, studies were conducted for the establishment of the petrochemical units. It may be recalled that we had not even thought of having petrochemicals plants in the country in the fifties. Only humble begin nings were made in the sixties. However, the seventies promise to show vast progress in this industry especially because of the substantial groundwork which has already been done. When this industry reaches the stage of maturity sometime at tha end of the current decade, it will result in saving substantial foreign exchange through import substitution in regard to plastics, man-made fibres and synthetic rubber.

The Indian Petrochemicals Corporation Ltd (IPCL), a central government enterprise, was registered in 1969 for

TABLE II

Planned Capacity for Caustic Soda

('000 tonnes)

Year	Estimated Demand	Capacity to be Planned
1975	575	720
1976	635	800
1977	705	880
1978	785	980
1979	980	1,100

TABLE III

Probable Production of Chlorine
1973-79

Particulars	1973	1974	1975	1976	1977	1978	1979
Estimated Chlorine Production (thousand tonnes)	344	378	468	540	599	667	740
Estimated utilisation (thousand tonnes) 80%	275	302	374	432	479	534	592
Estimated sales as Chlorine (thousand tonnes)	137	151	187	216	240	267	296
Estimated Chlorine sales by container (thousand tonnes)	110	121	150	173	192	214	237
Estimated requirement of containers on the basis of sales of 10-tonne chlorine per year per container ('000)	11.00	12.1	15.0	17.3	19,2	21.4	23.7

implementing the petrochemicals programme. This undertaking is cerrently engaged in the completion of two projects – the Aromatics Project and the Olefins Project. The Aromatics Project was expected to be commissioned in December 1972 though at the time of writing no firm date has been made known so far for its being commissioned. This plant is expected to produce 24,000 tonnes of DMT, 21,000 tonnes of ortho-xylenc and 25,000 tonnes mixed-nylenes. The commercial production of DMT, used in the manufacture of polyester fibre, is likely to be made available to the consuming units in March 1973.

The government has under consideration the location of another aromatic petrochemicals complex in the country. A study group is currently engaged in examining the availability and quality of feedstocks suitable for the manufacture of aromatics at various refinery locations and the different problems associated with the supply of finished aromatics from the possible locations to major consuming areas.

Olefins project

The Olefins Project which is expected to go on stream in 1974, is designed to crack naphtha for producing a number of olefin streams. The cracker is expected to consume 453,000 tonnes of naphtha per annum which will be supplied by the Gujarat Refinery. The estimated cost of this project is Rs 29.80 crores, this includes the foreign exchange component valued at Rs 8.44 crores. This unit will produce the commodities given in Table IV.

The Olefins Project will also produce some of the essential, primary raw materials which will be processed to obtain intermediates. The IPCL has already taken the preliminary steps for the implementation of these projects. The capacities of the intermediates likely to be produced and the capital outlay needed for each one of them is given in Table V.

It may be recorded here that polyethylene and polypropylene will yield plastic materials which are likely to replace scarce metals. Recent experience has demonstrated that increase in the availablity of plastics has given a fillip to small-scale industries engaged in fabricating these materials. The establishment of units for the manufacture of polypropplene and polyethylene will bring about a sizeable growth in the small sector. Again, the manufacture of acrylic fibre as well as methacrylate (a plastic) will increase when the acrylonitrite project is commissioned. The acrylic fibre has the property of easily blending with wool and has the potential for reducing imports of raw wool.

Detergents

Detergent alkylate is utilised in the manufacture of synthetic detergents and can help in reducing the import bill for tallow and oils used by the soap industry. Ethylene glycol is a raw material for the manufacture of polyester staple fibre and filament yarn. The IPCL has also planned to set up a synthetic rubber project with annual capacity of 20,000 tonnes. The rubber produced here will be of a special kind which has not been produced in this country before and will be used mainly for the manufacture of tyres.

The Gujarat State Fertilizer is currently engaged in a project for the manufacture of caprolactam; its annual capacity will be 20,000 tonnes a year. The project will be completed in the beginning of the fifth five-year Plan period. It needs to be stated here that caprolactam is the basic raw material for the manufacture of nylon filament yarn and fibre. At present, all the nylon filament yarn in our country is being manufactured through imported raw materials.

The foundation-stone for a refinery-cum-petrochemical complex has already been laid down at Bongaigaon in Assam. In association with the Assam Refinery, the petrochemical complex will produce every year 30,000 tonnes of DMT which will be used for the manufacture of polyester.

In the private sector, two units in Bombay have been quite successful in making some of the essential petrochemicals. The 60,000-tonne naphtha cracker of Union Carbide and 225,000-tonne naphtha cracker of National Organic Chemicals have functioned efficiently in the production of L. D. polyethylene. The total installed capacity of polyethylene (high and low density) in respect of both these units and the unit at Koyali is around 89,000 tonnes. The estimated demand in 1973-74 is 81,000 tonnes which means that, if all the

TABLE IV

Production of Olefins

	(Tonnes per year)
Ethylene	130,000
Polymer grade propylene	33,000
Commercial grade propylene	38,800
Butadiene	19,000
Benzene	23,600

TABLE V

Capacities for Intermediates

	Annual Capacity (Tonnes)	Capital Outlay (Rs crores)
(i) Acrylonitrile	24,000	17.04
(ii) Polyethylene	40,000	17.98
(iii) Polypropylene	30,000	18.87
(iv) Detergent Alkylate	30,000	12.92
(v) Ethylene Glycol	20,000	9.10

TABLE VI

Installed and Probable Demand for Organic Chemicals : 1963-1979

(Tonnes)

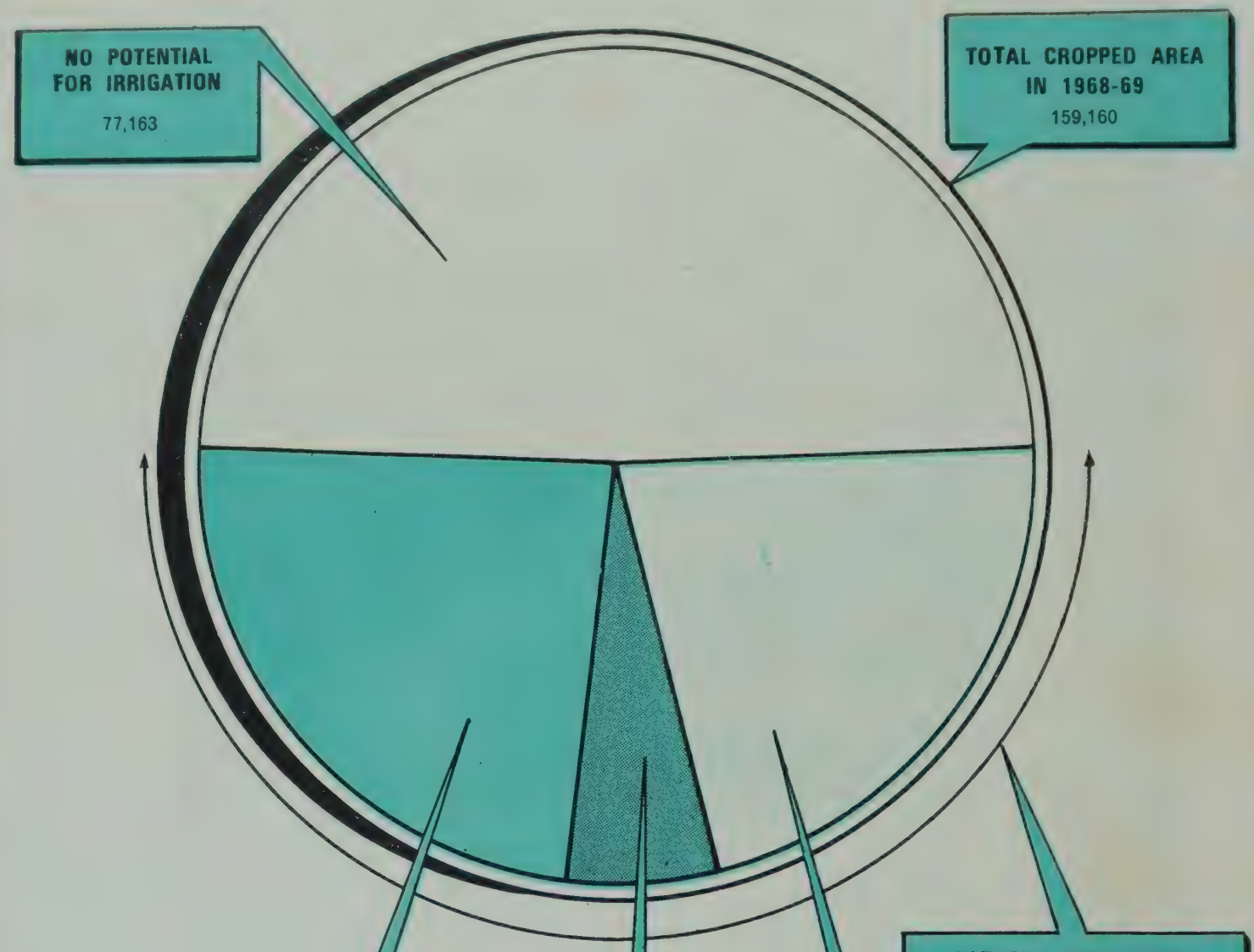
Products	Installed capacity		Estimated requirements	
	1963	1970	1973-74	1978-79
Acetone	1,500	18,000	16,000	28,000
DAA	..	4,800	3,500	NA
MIBK	..	3,700	1,800	NA
Acetic Acid	6,000	17,000	37,000	40,000
Plasticizer Alcohol	..	10,000	23,000	60,000
Phthalic Anhydride	..	12,000	24,000	45,000
Plasticizers	900	20,000	32,000	NA
Ethylene Oxide	..	12,000	17,500	33,000
Ethylene Glycol	..	10,000	12,000	25,000
Butyl Alcohol	3,500	12,000	6,000	12,000
Detergent Alkylate	..	..	12,500	30,000
Phenol	..	16,000	20,000	25,000
Formaldehyde	7,000	33,000	57,000	NA

*Estimates by Development Council for Organic Chemical Industries.


CEMENT : GROWTH IN INSTALLED CAPACITY , 1951—1972
WITH PROJECTIONS UP TO 1978
MILLION TONNES
50
45
40
35
30
25
20
15
10
5
0
INSTALLED CAPACITY
DEMAND
PRODUCTION
1951
1956
1961
1966
1969
1970
1972
1974
1976
1978

THE GAP IN DEVELOPMENT OF IRRIGATION

THOUSAND HECTARES



ts operate at a high effi-
cy level, the domestic
and for this petrochemical
be fully met. With the
wledge gained in the pro-
tion and marketing of
ethylene, it may not to be
icult to raise the installed
acity to 160,000 tonnes in
8-79.

t was a right decision for
IPCL to set up a research
elopment base for petro-
micals. The R and D facili-
are being provided in its
oratory for (a) chemical
ineering, (b) polymer che-
try, (c) catalysts, (d) by-
ducts utilisation, and (e)
es. Besides equipping its
n laboratory with necessary
ipment, the services of
earch laboratories such as
National Chemical Labo-
ory, Poona, are also being
ssed into service.

ure pattern

The future pattern of deve-
ment of the petrochemical
ustry is dependent on the
ategy to be evolved for the
of petroleum feedstock
ich is equally necessary for
expansion of the fertilizer
ustry. A number of special
mmittees appointed by the
vernment in the sixties have
died this problem in depth.
1968, a planning group for
micals assessed the pro-
le demand for different
ments of this industry in
3-74 and 1978-79. The
lings of this group are
en in the Table VI. It
be seen that fast growth in
and in basic petrochemi-
, plastics, synthetic fibres,
thetic rubber and interme-
es has been forecast. The
e at which the projects in
d are being implemented
w that by 1978-79, the
and for these petrochemi-
will be way ahead of sup-
It follows that concerted
rts need to be made to
h the targets stipulated;
erwise all these petrochemi-
will exert a great pressure
our foreign exchange
urces through compulsory
orts.

may be stated here that
demand estimates for
3-79 in respect of phtha-
nhydride, ethylene oxide,
ethylene glycol, butyl alcohol, detergent alkylate and phenol are not the same as set out in Table VI and VII. The forecasts given in Table VI are the latest and invariably lower that the estimates in Table VII. The difference is due to the timing of the two sets of estimates. Those in Table VII were based on studies conducted in 1968 and are to some extent outdated. The obvious conclusion is that while planning on a long-term basis, the planners are likely to be over-optimistic. The recent slowdown in the petrochemieals project necessitates certain scaling down in some of the targets set for 1978-79.

DRUGS

The steady imcrease in the expectation of life at birth and the fall in death rate as well as infant mortality rate during the past 25 years are sure indicators of the healthy impact of increased use of medicines in this country. The Plan outlay on health has also grown significantly. From an outlay of Rs 140 crores in the first five-year Plan period, it has risen to Rs 1,076.40 crores in the fourth five-pear Plan period. This has accelerated the use of drugs bringing about sizeable improvement in health standards.

The emphasis on increased number of hospitals, hospital beds, doctors, nurses and midwives required enhanced volumes of drugs which could either be imported of manufactured in this country. In 1948, the production of pharmaceuticals in the country was around Rs 10 crores only. This was hardly sufficient to meet the domestic demand and hence the gap was filled by imports. As years rolled by, indigenous production of pharmaceuticals rose reaching the level of Rs 250 crores in 1971:

Year	Pharmaceuticals production (Rs crores)
1948	10.00
1958	54.00
1968	200.00
1971	250.00

If the production of medium-scale units was also included, the total output of medicines in 1971 was around Rs 300 crores. But all this was not adequate and the country had to import a variety of drugs. The government has recently canalised the import of 14 bulk drugs along with other essential raw materials through the State Trading Corporation. The indigenous and imported

TABLE VII

Capacity for Manufacture of Petrochemicals

(Tonnes)

	Capacity installed (approved)	Koyali complex	Total capacity	Estimated	Demand
			1973-74	1973-74	1978-79
Basic					
Ethylene	106,000	100,000	206,000	*Includes alcohol based	29,000
Propylene	41,000	45,000	87,000		
Butadiene	30,000	15,500	45,500		
Benzene	81,500	15,500	97,000		
O. Xylene		21,000	21,000		
P. Xylene		17,000	17,000		
Plastics					
Polyethylene					
Low Density	25,000	40,000	65,000	58,000	115,000
High Density	24,000	..	24,000	23,000	45,000
PVC	92,000	..	92,000	80,000	175,000
Polystyrene and Styrene Copolymers	23,100	16,000	39,100	35,000	70,000
Polypropylene	..	10,000	10,000	7,000	15,000
Synthetic Fibres					
Polyester	24,400		24,400	36,500	76,000
Nylon	25,000		25,000	13,000	69,000
Acrylics	4,600	7,500	12,100	12,000	18,000
Polypropylene	..	5,000	5,000	3,000	10,000
PVA	..	12,000	12,000	16,000	14,000
Synthetic Rubber					
SBR	30,000	..	30,000	..	30,000
Polybutadiene	..	20,000	20,000	20,000	40,000
Butyl	..	..	..	30,000	80,000
Intermediates					
DMT	..	24,000	24,000	49,000	75,000
Caprolactum	22,000	..	22,000	36,000	75,000
Ethylene Glycol	10,000	..	10,000	14,000	30,000
Acrylonitrile	..	16,000	16,000	15,000	24,000
Vinyl Acetate	..	30,000	30,000	25,000	40,000
Pthalic Anhydride	18,600		18,600	22,000	60,000
Phathalates	31,000		31,000	..	..
Methyl Metha Acrylate	5,000		5,000	4,000	..
Ethylene Oxide	12,000		12,000	15/16,000	..
Butyl & Isobutyl Alcohol	14,000		14,000	12,000	..
2—Ethyl Hexanol	11,000		11,000	24,000	..
Phenol	17,000		17,000	17,000	30,000
Detergent Alkylate	28,000		28,000	22,000	40,000

materials are pooled together and sold at uniform prices.

In recent years, the public sector has taken to the manufacture of medicines. The units owned by the government are at present turning out a large variety of medicines but their gross sales in 1971-72 were around one-twentieth of the total sales of medicines in the country. Table VIII gives the sales figures for all the units. Surgical Instruments Plant at Madras manufactures instruments only.

Total production

The fourth five-year Plan had expected that the total production of drugs and pharmaceuticals in the country would be about Rs 250 crores. This goal has already been achieved by the country. By the end of the fifth five-year Plan period in 1978-79, the value of production of this industry is likely to expand to more than Rs 700 crores provided the industry receives support from the government. As it is, the price control order of 1970 has put some obstacles in the process of growth. A number of applications of the manufactures are awaiting disposal at the government's end in regard to the fixation of their prices. The Bureau of Industrial Cost and Prices is also examining the cost structure of some bulk drugs. All these measures, though taken in the interest of the public, tend to hamper the growth of the industry. It is necessary that all these applications should be disposed of quickly so that the plans of the industry to increase the supply of medicines to the public are not thwarted. Again, not enough attention has so far been given to drugs at the intermediate level. The public sector plants have yet to fill up the gap in this regard. perhaps faulty planning of these units has bogged them down.

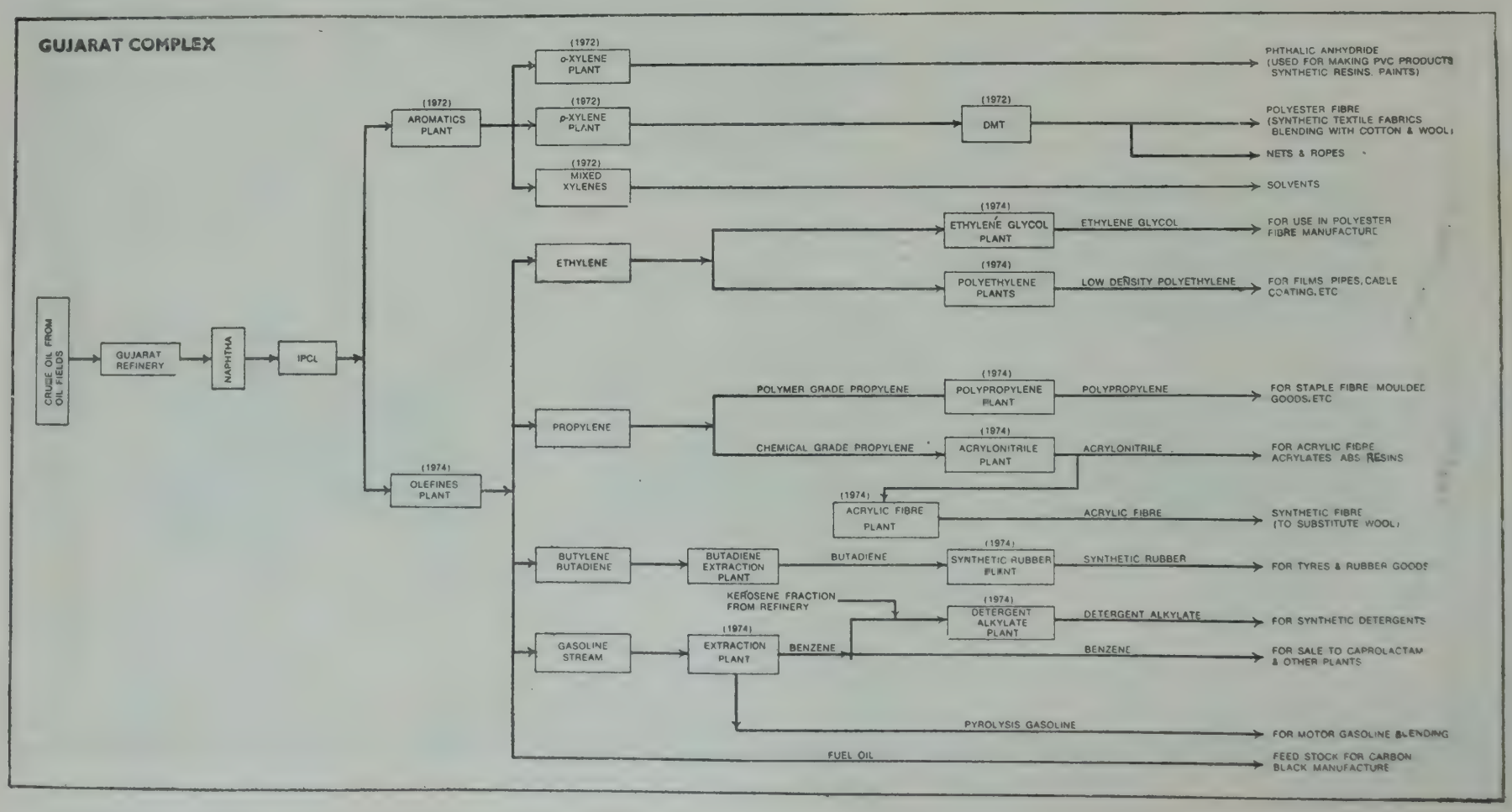
According to the Organisation of Pharmaceutical Producers of India (OPPI), the pharmaceutical industry is likely to raise its capital investment from Rs 200 crores as at present to Rs 450 crores at the end of the fifth five-year Plan period. Consequently the value of basic manufacture is expected to increase from Rs 45 crores to Rs 150 crores and the value of total production from Rs 300 crores to Rs 700 crores. The value of exports is expected to multiply more than six times from Rs 9.5 crores to Rs 60 crores. As against the import bill of Rs 35 crores at present, the incidence of imports is not expected to exceed export earnings; i.e. Rs 60 crores. All these targets will need substantial investment in research and development which may rise from five crores of rupees as at present to Rs 35 crores in 1978-79. The OPPI is however worried that the Bureau of Industrial Costs and Prices might recommend to the government a substantial reduction in the ceiling on profits which might stand in the way of attaining the targets listed above. There is substance in the plea of the industry that there is an urgent need to create an all-round climate of confidence which would provide encouragement and stability to the entrepreneurs and would lead to further expansion in the vital areas of the pharmaceutical industry. The frequent changes in pricing policy coupled with the threat of nationalisation and restraint on new licences will act as stumbling

TABLE VIII

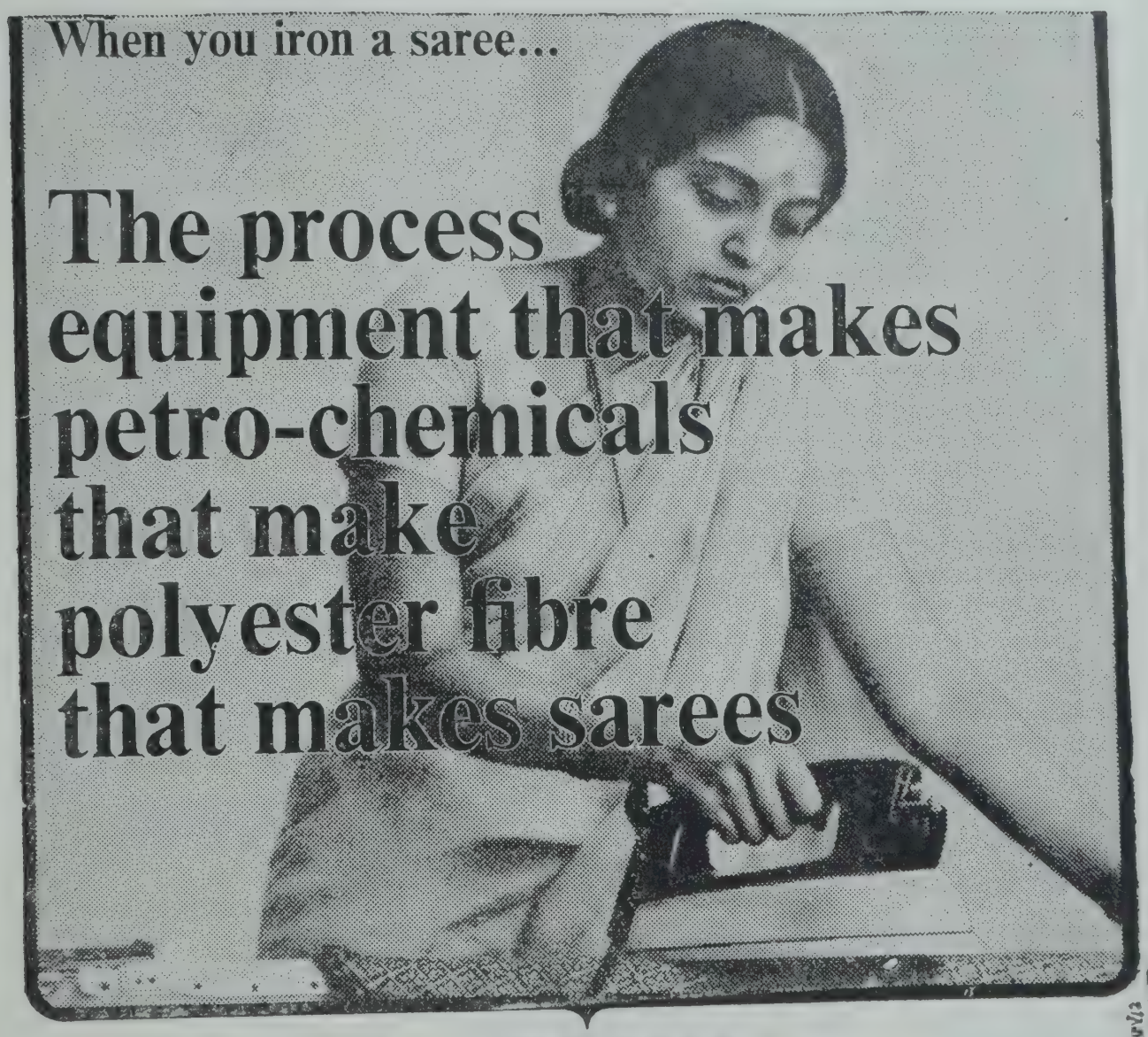
Gross Sales

(Rs crores)

	1970-71	1971-72 (April-Dec. 1971)
1. Hindustan Antibiotics Ltd.	6.83	6.91 (April 71 to Feb. 72)
2. Indian Drugs and Pharmaceuticals Ltd.	10.69	11.60
(a) Synthetic Drugs Plant	5.35	5.69
(b) Antibiotics Plant	4.89	5.50
(c) Surgical Instruments Plant	0.39	0.35



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block in the attainment of the goals which the industry has set for itself for the fifth five-year Plan period.

It is necessary to emphasize here that the progress of the pharmaceutical industry in this country has hitherto been largely due to the governments policy of promoting collaboration with European and US pharmaceutical companies. The collaboration agreements brought to this country the latest technical know-how which resulted in the manufacture of the most modern drugs and which assisted the people in improving their health standards. Left to itself, our country would not have been able to mobilise financial resources as well as the technical know-how for conducting research in this costly as well as risky field.

Research expenditure

As stated earlier, the total annual expenditure on research and development in the pharmaceutical industry is around five crores of rupees. The corresponding expenditure in the USA is about Rs 600 crores—120 times the level of expenditure in our country. The European countries taken together are spending every year not less than the total expenditure in the USA on research and development in this field. Surely, we will never be able to mobilise resources of this order for this purpose, It follows that if we wish our people to be able to benefit from the fast developments in the pharmaceutical industry in the developed countries, we should take all possible steps to strengthen our relations with the collaborating firms instead of weakening them. Unfortunately, the foreign collaborating firms have been unhappy over certain measures taken by this country in recent years. The patent law in this country has been changed in a manner which has disappointed the foreign companies and the number of applications for new patents is reported to have significantly sagged. It is likely to result in reduced in-take of technological know-how for the manufacture of new and novel pharmaceuticals from the developed countries which, in turn, would slow down the growth of this industry in relation to new drugs.

The public sector in this country has sought to set up units for the manufacture of pharmaceuticals with the co-operation of the Soviet Union. The units set up by the Indian Drugs and Pharmaceutical., Ltd. a reference to which has already been made, are currently manufacturing antibiotics and synthetic drugs. The area of operation is limited and Soviet technological know-how is outmoded. This is evident from the anxiety recently exhibited by the USSR in regard to the establishment of close contacts with West European manufacturers of drugs. A number of agreements entered into by the USSR with West European countries stipulate monopoly rights in regard to patents and trade marks. The patent law in the USSR is being revised so as to give more confidence to the collaborating firms. Naturally, the West European countries are willing to cooperate with the USSR on the basis of patent protection of the new inventions.

TABLE IX

Shares of Countries in the Development of New Drugs

	Number of new drugs	Percentage share
USA	525	61.9
Switzerland	54	6.4
West Germany	39	4.6
UK	38	4.5
France	22	2.6
Others	170	20.0
Total	848	100.0

Public sector units

Not only the USSR but other developed countries also are forging ahead in the pharmaceutical industry in cooperation with the renowned drugs manufacturers of the world. Even Japan has made a mark in this field. Its progress, by and large, was dependent upon the large number of patent licences bought by it. Their number between 1949 and 1967 was as high as 970.

The leading drug companies of the world are to be found in the USA, West Germany France, the UK, Switzerland and the Netherlands. In all these countries, the pharmaceutical industry has ploughed back huge sums of money in research and development which range between 10 and 12 per cent of sales. The shares of different countries in the development of new drugs in the last 25 years is given in Table IX.

And the secret of the success of the drug companies in these countries is the protection provided by the effective patent laws which throws up resoures for research in this risky field. What is more, research rin this field requires the emloyment of the highest percentage of academic personnel. Out of 1000 employees of a research unit in this industry, 156 persons are drawn from the academic field with the highest qualifications. No less than 30 differeut disciplines of natural sciences are represented on each research team and the number of tests to be carried for the invention of a drug runs into thousands.

Usually, it takes five to 10 years to invent a new drug and seven to eight years are needed for its introduction into therapy. Moreover, the chances of finding a new drug are also dwindling despite massive investment by these companies. In 1959, the world pharmaceutical industry introduced 63 new chemical substances into therapy but in 1969 their number fell to 11 only. Tne cost on research for a new drug is now estimated between 50 to 60 million dollars.

Hard realities

In view of these hard realities governing the research of new drugs, what is the best course for a developing country such as ours? Should we get cut off from the main stream of medicinal research in the developed countries or should we strengthen our traditional relations with the research-oriented companies? Should we follow the open-door policy adopted by such countries as the USSR and Japan in regard to collaboration with foreign companies or bang the door on all of them irrespective of the cousequences.

The conclusion is irresistible that it will be in the long-term interests of our country to change the outlook in this regard and should encourage the inflow of new technical know-how from the western countries by liberalising our policies in this regard.

—S. P. Chopra


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Cement and its hurdles' race

THE CHIEF reason for the current shortage of cement in this country is the faulty policy of the government of India in regard to the fixation of retention price. While the cost of manufacture has been increasing due to a number of causes such as the escalation in wages, the rise in the prices of raw materials, the enhanced cost of transport and the increased government taxation, the retention price of cement has not been increased in keeping with rising costs with the result that the profitability of the industry has been reduced which, in turn, has lowered its capacity to plough back and attract funds for expansion. The Reserve Bank of India, in its financial analysis of 16 cement companies for the period 1965-66 to 1970-71, has shown that gross profits as a percentage of sales declined during the period under review. Whereas this ratio was as high as 14.3 in 1966-67, it dropped to 9.3 in 1968-69, only to stage a mild recovery in 1969-70 and 1970-71 (Table I).

TABLE 1

Gross Profits as a Percentage of Sales (net of rebate and discount)

Year	%
1965-66	12.3
1966-67	14.3
1967-68	12.6
1968-69	9.3
1969-70	10.5
1970-71	11.1

It is not easy to attract funds for investment in the cement industry because of its low profitability which has resulted in reduced yields on equity investment and negligible appreciation in the prices of equity shares. According to computations made by the Reserve Bank of India, the yield on cement equity shares has ruled between seven and eight per cent throughout 1972 which can hardly be described as attractive. Also, the index of security prices for the cement industry —according to the Reserve Bank of India again — showed an appreciation of only 4.1 per cent in July this year over 1961-62 as against a rise of 192.6 per cent in shipping and other transport, 69.0 per cent in paper and paper products, 51.9 per cent in rubber and rubber products.

Sad plight

The plight of the cement industry was graphically explained by Mr K.S. Narayanan, Managing Director, India Cements Ltd, on September 20, this year, at the 26th meeting of the company. Said Mr Narayanan: "The increase in cost per tonne was Rs 16.41 between 1966 and 1969. Against this, the company was compensated to the extent of only Rs 5.50 per tonne with effect from April 14, 1969. Since then, largely as a result of government's fiscal policy there has been a further increase in cost to the extent of Rs 7.23 per tonne. No increase in the retention price has been granted against these cost escalations, and all that has happened is that the government has referred the question of revision of cement price to the Tariff Commission". And now the cement industry is anxiously awaiting the recommendations of the Tariff Commission.

In recent years, this industry has witnessed a steady increase in demand while the increases in production have been slow in coming. In 1971, for example, the gap between demand and supply was estimated at 1.6 million tonnes. On the basis of the demand forecast for 1972 at 16.74 million tonnes and likely production at 15.1 million tonnes (the output of cement in the first half was 7.3 million tonnes as shown in Table II p. 1364) the gap between supply and demand is expected to remain unchanged at 1.6 million tonnes provided the stocks with the factories do not rise above 0.3 million tonnes —the same as in 1971.

The Cement Controller has estimated that the demand for cement would rise to 18.9 million tonnes in 1973 and to 21.2 million tonnes in 1974 (Table III). Obviously, the industry does not have at present the capacity to produce that much cement even if it operates at the optimum level. It follows that there is no chance of a reduction in the shortage of cement till 1974 at least and, if anything, the crisis might deepen further.

TABLE III

Cement: Installed Capacity and Production

Year	Installed capacity	Production
1951	3.6	3.3
1956	5.8	5.0
1961	9.4	8.2
1966	12.6	11.1
1969	15.6	13.6
1970	17.4	14.0
1971	19.4	14.9
1972	19.5	15.1*
1973 (Demand)	..	18.9
1974	..	21.2

*Provisional

Given a free hand, the industry might have expanded much faster than has been the case so far. In each five-year Plan period, the actual realisation of installed capacity was lower than the target. For example, the goal for the first five-year Plan period was 5.4 million tonnes capacity but achievement was not more than 4.9 million tonnes. Again, achievement in the second five-year Plan period was 9.2 million tonnes against the targeted capacity of 16 million tonnes. Realising that the target for the second Plan was too ambitious, the goal for the third Plan was reduced to 15 million tonnes (capacity) though achievement was no more than 11.6 million tonnes. The fourth five-year Plan has set the goal of 21.5 million tonnes (capacity) in 1973-74 while capacity of the order of 19.5 million tonnes has already been achieved. The shortfall in attaining the goal may not be large provided the government adopts a realistic policy in regard to the retention price.

All-round shortages

The cement industry has suffered in recent years from under-utilisation of capacity which has been due to a number of causes such as wagon shortage, power shortage, strikes, rains, major repairs of plants and shortage of raw materials. Mr N.A. Palkhivala, chairman of the Associated Cement Companies Ltd. (ACC), stated sometime ago in a letter to the shareholders of the company that besides unremunerative prices of cement and the rising costs, loss in production had occurred during the last three years due to various other reasons. They were set out in a statistical table (Table IV) which showed that the percentage of capacity utilisation had dropped in ACC units from 88 in 1969-70 to 77.3 in 1971-72. The loss in production was largely due to wagon shortage followed by power shortage and strikes. It follows that even at current retention price of cement at Rs 100 a tonne, the unit could improve their financial performance provided the railways met their needs of wagons and power shortage was reduced.

The industry has, however, continued to expand though slowly despite the harsh blows accorded to it by price control. It was in 1956 that the industry came under formal control and took more than a decade to double its capacity (from 5.8 million tonnes in 1956 to 12.6 million tonnes in 1966). Then followed a brief period of two years—1966 and 1967—when the industry was decontrolled though informal control

persisted through the Cement Allocation and Coordination Organisation (CACO). The CACO started functioning as a non-profit service organisation. Half of the total despatches were reserved for the rate contract indentors (i.e. for the use of the public sector). About 10 per cent of the total despatches were made available to the centrally sponsored industries and an equal volume was allocated to quasi-government bodies including municipalities and small-scale industries. The remaining 30 per cent was distributed to bulk consumers directly and to small consumers through a network of stockists.

The CACO also paid particular attention to the needs of agriculturists and small-scale industries and special arrangements were made to meet the requirements of small consumers. In the very first year of decontrol (or informal control) despatches showed some improvement from 10.47 million tonnes in 1965 to 10.86 million tonnes in 1966. But this proved a short-lived experiment and formal control over cement was re-imposed in 1968 and continues till today. The consumer of cement in this country is required to pay a uniform price through a freight pooling arrangement. While the retention price of cement is Rs 100 per tonne (since 1969), the consumer has to pay Rs 250 per tonne due to freight, packing charges, excise duty, sales tax, octroi, godown rent etc.

It may be recalled that the Cement Corporation of India (CCI) was incorporated in 1965 for setting up cement plants in the public sector and also for surveying, prospecting and providing of cement-grade limestone deposits in the country. The corporation was also charged with the responsibility

TABLE II

Unit-wise Cement Production : Jan-June 1972

(Tonnes)

S. No.	Company/Works	First Two Quarters of 1972 Capacity	Production	Despatches
1.	**The ACC Ltd**			
	Bhupendra Cement Works	30,480	33,690	33,393
	Banmor Cement Works	1,53,180	1,70,606	1,67,780
	Chaibasa Cement Works	3,91,000	2,45,300	2,47,164
	Chanda Cement Works	2,00,000	1,43,400	1,48,154
	Dwarka Cement Works	1,70,160	1,52,735	1,52,269
	Jamul Cement Works	5,40,000	3,36,600	3,37,903
	Khalari Cement Works	50,800	53,590	54,275
	Kistna Cement Works	1,29,520	1,04,954	1,09,897
	Kymore Cement Works	4,03,740	3,24,295	3,26,004
	Lakheri Cement Works	1,82,840	1,52,550	1,53,789
	Madukkarai Cement Works	1,92,220	1,47,090	1,46,405
	Mancherial Cement Works	1,67,620	1,39,330	1,43,786
	Porbandar Cement Works	1,00,000	89,350	86,753
	Sevalia Cement Works	1,01,600	1,01,908	1,01,625
	Shahabad Cement Works	2,86,980	2,43,750	2,42,720
	Sindri Cement Work	1,52,380	1,34,200	1,38,194
	Wadi Cement Works	2,00,000	1,57,762	1,54,271
	Kymore Cement Works (White Cement)	12,500	11,910	12,189
	Porbandar Cement Works (White Cement)	10,000	11,375	11,432
	Total (ACC)	34,75,020	27,54,395	27,68,003
2.	The Andhra Cement Co. Ltd.	1,20,000	91,474	92,477
3.	Ashoka Cements Ltd	1,00,000	1,09,269	1,10,911
4.	Assam Cements Limited	41,910	26,900	27,687
5.	Bagalkot Udyog Ltd	1,26,000	1,27,345	1,18,279
6.	The Birla Jute Mfg. Co Ltd Satna	2,90,730	2,92,950	2,90,516
	Chittorgarh	2,00,000	1,56,550	1,57,725
7.	The Cement Corporation of India Ltd, Mandhar	1,00,000	79,714	80,192
8.	Chetinad Cement Corpn Ltd	2,00,000	1,11,550	1,14,155
9.	Dalmia Cement (Bharat) Ltd	2,62,500	2,69,940	2,75,916
10.	Dalmia Dadri Cement Ltd	96,510	1,01,953	1,05,289
11.	The Hindustan Sugar Mills Ltd	1,00,000	1,05,538	1,08,847
12.	The India Cements Ltd Talaiyuthu	4,56,510	3,96,543	3,94,443
	Sankaridrug	3,00,000	3,00,767	3,03,034
13.	Industrial Development Corporation of Orissa Ltd	1,98,000	1,76,730	1,76,513
14.	The Jaipur Udyog Ltd	4,09,410	3,57,981	3,66,037
15.	Kalyanpur Lime & Cement Works Limited	1,73,160	1,25,703	1,25,218
16.	The K.C.P. Ltd	1,26,990	1,17,640	1,19,033
17.	Kesoram Cements	2,25,000	1,56,500	1,59,066
18.	Madras Cements Ltd	95,040	80,400	80,430
19.	Mysore Cements Ltd	2,00,000	2,15,201	2,19,010
20.	The Mysore Iron & Steel Ltd	49,800	49,375	46,708
21.	Orissa Cement Limited	2,00,500	2,40,409	2,47,198
22.	Panyam Cement & Mineral Industries Ltd	1,94,000	2,00,154	1,97,771
23.	Rohtas, Industries Ltd	1,57,500	1,46,829	1,41,336
24.	Saurashtra Cement & Chemical Industries Ltd	4,31,580	2,57,955	2,46,927
25.	Shree Digvijay Cement Co. Ltd. Sikka	4,20,000	2,56,910	2,45,620
	Sewree		98,696	1,00,001
	Ahmedabad		10,110	7,031
26.	Sone Vlaley Portlan Cement Company Ltd	..	..	..
27.	Tamilnad Cements	2,00,000	1,73,591	1,72,796
28.	The Travancore Cements Ltd.	25,410	20,182	20,552
29.	The UP State Cement Corpn Ltd Churk	2,37,330	2,27,409	2,23,986
	Dalla	1,19,335	90,370	93,035
30.	The Travancore Cements Ltd, (White Cement)	15,000	8,454	9,236
	Total	93,47,235	73,35,487	79,44,978

(over to page 1368.)



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TABLE V—A

Details of Schemes for Putting up Cement Plants in Respect of which COB Licences/Industrial Licences Have Been Opened

Name of the party	Location	Capacity (Tonnes)	New/SE
Public Sector			
(1) Cement Corporation of India Ltd	Kurkunta (Mysore)	200,000	New
(2) Cement Corporation of India Ltd	Bokajan (Assam)	200,000	New
(3) Assam Cement Corporation of India Ltd	Cherapunji (Assam)	200,000	SE
(4) UP State Cement Corporation Ltd	Dalla (UP)	368,000	SE
(5) Tamil Nadu Ind. Dev. Corporation Ltd	Alangulam (TN)	300,000	SE
Total for Public Sector		1,268,000	12,68,000
Private Sector			
(1) J.K. Synthetics Ltd, Kanpur	Nimbahera (Raj)	252,000	New
(2) Century Cement, Bombay	Tilda (MP)	600,000	New
(3) Durgapur Cement Works, Durgapur	Durgapur (WB)	600,000	New
(4) Jaipur Udyog Ltd, New Delhi	Beawar (Raj)	600,000	New
(5) Sone Valley Portland Cement Co	Japalee	330,000	SE
(6) Madras Cements Ltd	Tulukkapatti (TN)	210,000	
Total for Private Sector		2,592,000	2,592,000
Grand Total			
Public Sector			1,268,000
Private Sector			2,592,000
			3,860,000

TABLE V—B

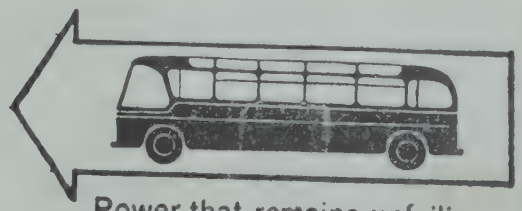
Details of Schemes for Putting up Cement Plants in Respect of which Letters of Intent Have Been Issued

Name of the party	Location	Capacity (Tonnes)	New/SE
Public Sector			
Cement Corporation of India Ltd	Paonta (HP)	200,000	New
Cement Corporation of India Ltd	Mandhar (MP)	180,000	SE (Slag)
Cement Corporation of India Ltd	Dehra Dun (UP)	200,000	New
J & K Minerals Ltd	Basholi (J & K)	200,000	New
Gujarat Industries Investment Corpn Ltd	Amiragarh (Gujarat)	200,000	New
UP State Industrial Corporation Ltd	Mirzapur (UP)	432,000	New
UP State Industrial Corporation Ltd	Pithorgarh	432,000	New
West Bengal Industrial Dev. Corpn Ltd	Purulia (WB)	200,000	New
J & K Minerals Ltd	Khrew (J &K)	104,000	New
HP Minerals Ind. Dev. Corpn. Ltd	Samloti (HP)	200,000	New
Total for Public Sector		2,348,000	
Private sector			
Mr P.K. Kanoria	Banas (Raj)	204,000	New
The Palamau Cement Company	Bhawanathpur (Bihar)	250,000	New
Kalyanpur Lime & Cement Works Ltd	Bhawanathpur (Bihar)	250,000	New
Hosdurga Cement and Chemicals Ltd	Hosdurga (Mysore)	200,000	New
Mr N. Srivasan, Madras	Katni/Lulli/Manghat a (MP)	400,000	New
Hindustan Sugar Mills Ltd	Udaipur (Raj)	300,000	SE
Panyam Cements & Mineral Ind. Ltd	Sullurpet (AP)	45,000	New (White cement)
Panyam Cements & Mineral Ind Ltd	Tornagallu (Mysore)	100,000	Split location
Panyam Cements & Mineral Ind. Ltd	Cement Nagar (AP)	100,000	SE
The Amalgamated Coalfields Ltd	Itarai (MP)	200,000	New
		200,000	New
Mr B.N. Bhaskar, New Delhi	Bundi (Raj)	200,000	New
R.P. Sinha Cement Ltd	Shahabad (Raj)		
Total for Private Sector		2,349,000	
Grand Total			
Public Sector			2,348,000
Private Sector			2,349,000
			4,697,000

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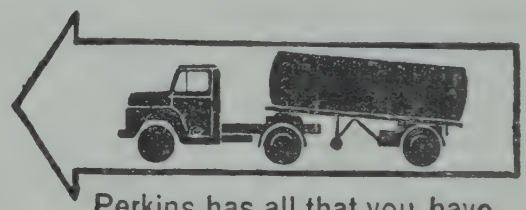
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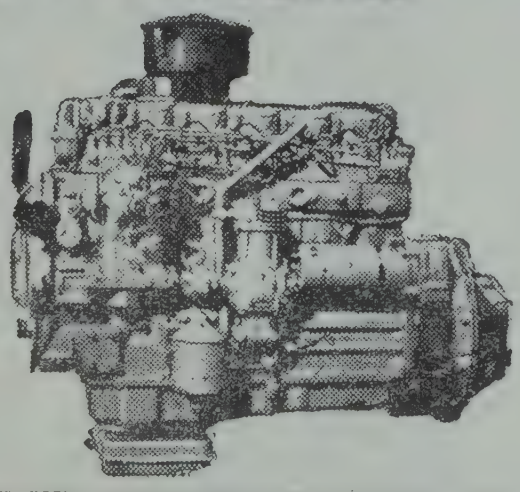
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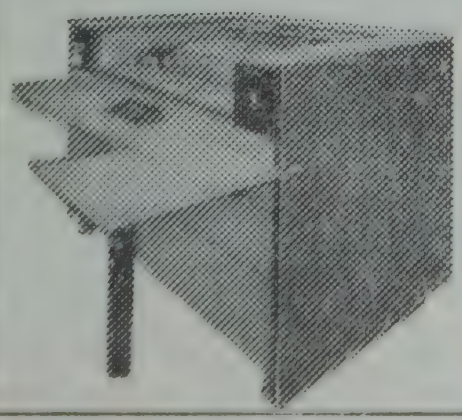


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to co-ordinate all ancillary activities for the growth of the cement industry. It set up its first cement plant at Mandhar (in Raipur district of Madhya Pradesh). The plant was commissioned on July 17, 1970, with a capacity of 200,000 tonnes a year. The working results of this unit after one full year's operation showed a loss of Rs 34.3 lakhs. True that the factory worked for only eight months during the period under review but the directors remarks regarding depreciation and interest on loan are significant. They have stated that but for both these charges, the unit would have done financially better!

Excessive cost

The fact is that the cost of the unit set up by the corporation has been inordinately excessive. Its balance sheet for the year ended March 31, 1971 showed that for a capacity of 200,000 tonnes a year, the paid up capital plus borrowings totalled Rs 10.82 crores while some project proposals have been submitted by private sector units for the establishment of cement plants with annual capacity of 400,000 tonnes at a cost of Rs 7.25 crores only. The proposals from the private sector have been turned down by the government because they had been made by big business houses whose further expansion has been restricted under the Monopolies and Restrictive Trade Practices Act.

The CCI is setting up three more cement plants each having a capacity of 200,000 tonnes at Kurukunta (Mysore), Bokajan (Assam) and Paonta (Himachal Pradesh). It submitted a proposal for doubling the capacity at Mandhar which has been accepted by the government. Also, the corporation has submitted project proposals for cement plants at Tandur (Andhra Pradesh): Neemuch (Madhya Pradesh), Jagdalpur (Madhya Pradesh) and Mandharsu (Uttar Pradesh). The corporation has also submitted a feasibility report for a 50,000 tonne masonry cement plant at Mehrauli. If the financial operations of all these cement plants on completion work out in the same manner as the unit at Mandhar, then the sad experience of the steel industry in the public sector is likely to be repeated in the case of cement as well.

In reply to a question in the Rajya Sabha on December 21, 1972, Mr C. Subramaniam, the Minister for Industrial Development, said that as against the present capacity of cement industry at 19.5 million tonnes, the government of India had licensed an additional capacity of about 8.55 million tonnes by way of expansion and new units (Tables V A and V B, p. 1366) and a further capacity of 5.7 million tonnes was under consideration. He also stated that the government of India had decided to permit the Cement Corporation of India to set up further capacity not only in deficit areas but in other areas as well.

At present the demand for cement in northern and eastern regions of the country far exceeds supply from units set up in these regions. In order to cover the gap between demand and supply in these regions, cement has to be hauled from the western and the southern regions. This involves heavy cost on freight but under the freight pooling system, as stated earlier, the incidence of freight is distributed uniformly over all the cement consumers in the country. It cannot be denied that the regional imbalance between demand and supply of cement does exert an unhealthy pressure on available transport facilities and it is necessary that as far as possible, the impact of maldistribution of units should be corrected. Steps have been taken by the government to correct this imbalance by issuing more licences and letters of intent in the northern and eastern regions than in the southern and the western regions. In the establishment of new units as well as the expansion of old ones, top priority has been given to the northern region with additional capacity of a little more than four million tonnes. The eastern region occupies the second place with 1.78 million tonnes followed by the western region at 1.58 million tonnes. The lowest capacity has been sanctioned for the southern region at a little more than a million tonnes in view of the fact that the supply of cement in this region far exceeds local demands. This has naturally been resented by the cement industry in the southern region.

Mr K.S. Narayanan of the India Cements Ltd. referred to this aspect when he stated that "the cement industry is largely concentrated in the south and the west of the country because of the availability of limestone in proper quantities and of the requisite quality. To locate the cement industry in other regions, irrespective of the availability of the limestone, based on a mis-conceived principle of regionalisation is to spend heavily on capital and to subsidise the product for ever". The moot question is: is it in the interest of the country to continue with the freight pooling arrangement which taxes the transport system of the country? Should not the unnecessary load on transport be removed by increasing the capacity of cement plants in deficit areas. Surely it will be a mistake to set up cement plants in places where limestone, the chief raw material, is not available in plentiful quantities. A study of the new licences and letters of intent issued by the government however shows that this aspect has been borne in mind; that is why the largest number of the licences and letters of intent has been issued for the state of Rajasthan where limestone is available in requisite quantities.

—**S. P. Chopra**

TABLE IV

Capacity and Production of Cement

	1969-70	1970-71	1971-72
Capacity (thousand tonnes)	6,140	6,623	6,660
Production (thousand tonnes)	5,402	5,376	5,146
Percentage of production to capacity	88.%	81.2%	77.3%

	Tonnage (thousand tonnes)	% to capacity	Tonnage (thousand tonnes)	% to capacity	Tonnage (thousand tonnes)	%to capacity
(a) Wagon shortage	176	2.9	656	9.9	776	11.7
(b) Power shortage etc.	14	0.2	30	0.5	142	2.1
(c) Strikes	116	1.9	17	0.2	134	2.0
(d) Other reasons:						
(i) Rains	66	1.1	56	0.9	76	1.1
(ii) Major repair	367	6.0	296	4.5	197	3.0
(iii) Shortage of slag/sludge	2	..	67	1.0	143	2.2
(iv) Raw materials	..	..	7	0.1	42	0.6
(v) Miscellaneous	94	1.5	124	1.8	80	1.2

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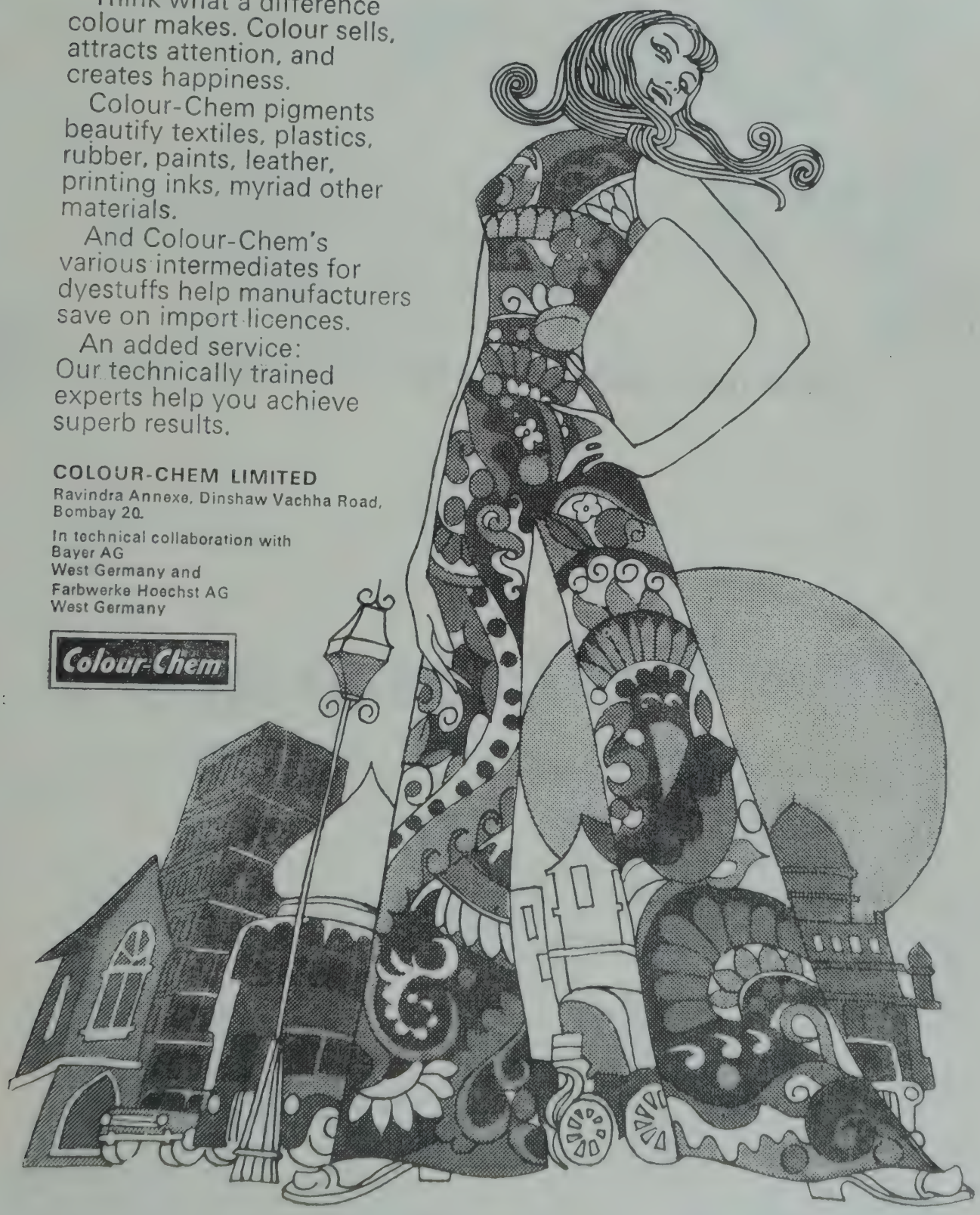
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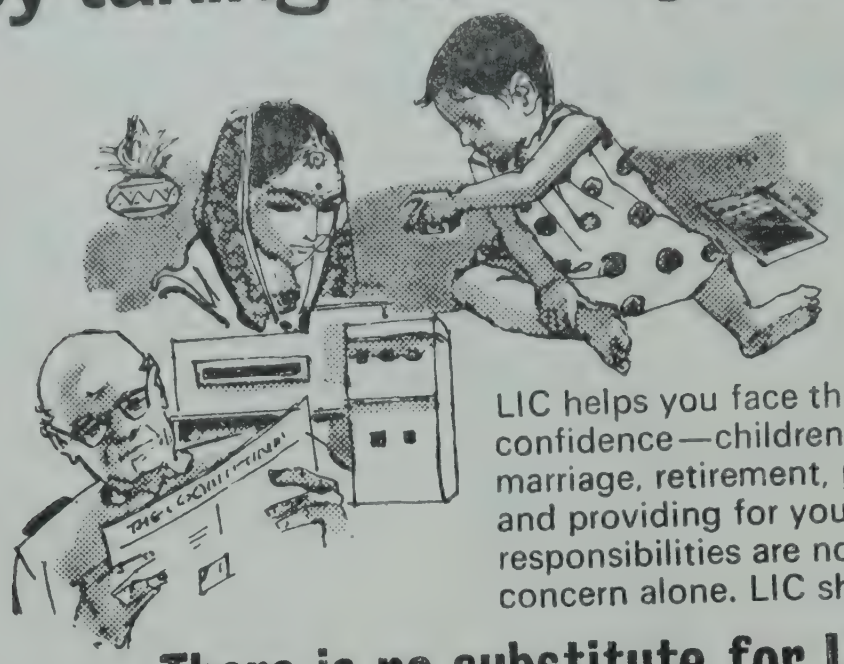
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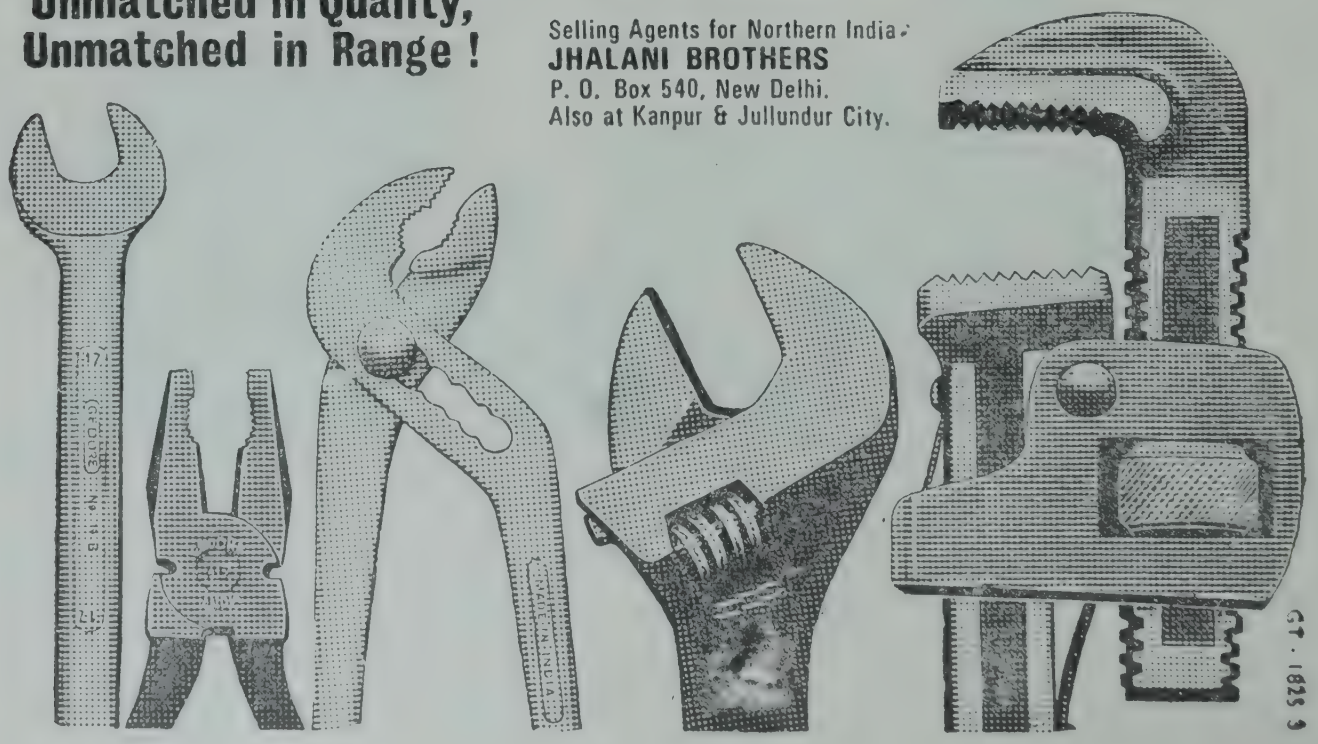
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Transport : bottlenecks galore

WHY do we in this country take action in regard to transport facilities only when bottlenecks appear ? Why after more than two decades of planning are we not able to foresee the requirements of transportation and lay out our infrastructural projects accordingly ? Why do our needs for rail, road, air and shipping facilities far exceed supply ? Have we learnt any lesson from our past experiences. An attempt has been made in the following pages to answer these questions in the light of the previous experiences and suggestions have been put forward for positive action during the current decade.

Vigorous programme

During the first 15 years of planning (from 1951-52 to 1965-66) in this country, the railways pursued a vigorous programme of development so as to remove the transport bottleneck which was holding up the progress of other sectors of the economy. The first five-year Plan saw the rehabilitation of depleted assets. The total investment in the period 1951-52 to 1955-56 was of the order of Rs 425.53 crores (railway's contribution plus government funds) or Rs 85.11 crores a year on the average. The pace of development was accelerated in the second five-year Plan period (1956-57—1960-61) when investment was more than doubled to Rs 969.43 crores or Rs 193.89 crores a year on the average. Still the demand for railway facilities (for goods as well as passengers) far exceeded supply. The third five-year Plan period (1961-62—1965-66) witnessed a further hike in investment to Rs 1763.65 crores or Rs 352.73 crores a year. At the end of this period, the transport bottleneck was considerably reduced and it could be said that the progress of the other sectors of the economy was in no way hindered by the non-availability of railway facilities. And then followed a period of slackness.

Plan holiday

The failure on the food front and the general slowdown in the economy brought about what is popularly described as holiday in planning. Consequently, the pace of developmental work in the railways was considerably reduced. The total application of funds for the railways in the three-year period ending in 1968-69 was Rs 734.30 crores or Rs 244.77 crores a year registering a fall of 20 per cent over the yearly investment in the third five-year Plan period. However, the level of investment has been marginally raised during the current Plan period but the brakes which were applied in 1966-67 and which have continued the process of retardation for a period of seven years have now brought to the surface the inherent weakness of the railways in coping with the rising passenger and goods traffic. All the industries have now been hurt beaause of the transport bottleneck. There is enough coal at the pitheads but because of the shortage of wagons, scarcity of coal is experienced in different parts of the country. Similarly, the stocks of cement have been piling up with manufacturers as the railways have not been able to provide them with the necessary number of wagons. And this applies to all the major industries including foodgrains and fertilizers. All these commodities need covered wagons which are in short supply. It follows that in the next five-year Plan period, we have no option but to lay more emphasis on the manufacture of covered wagons,

Total strength

The total strength of wagons with the railways is estimated at about 492,000. The Railway Board had decided to purchase 81,600 wagons, both for replacement and augmentation, during the fourth five-year Plan period. The manufacturers have already delivered 40,000 wagons while the balance has yet to be fabricated. In the meantime a reappraisal of the likely increase in demand of wagons has indicated that further orders will have to be placed for additional wagons in order to cope with traffic offerings. The Railway Board has only recently placed orders for the manufacture for 15,000 wagons additional to meet the rising demand for wagons.

The recent innovation of "own your wagon" is hardly likely to tackle this problem effectively. While the decision has been taken by the railways to impose heavy penalties or demurrage on those industries which are inclined to use the railway wagons for warehousing purposes during short durations, the fact remains that the curtailment of the railway development plan in the wake of the plan holiday has had an unfavourable impact and the current transport bottleneck will force the Railway Board to increase its outlay on wagons once over so as to pick up the earlier accelerated pace of growth. Reports have been recieved that in eastern India, particularly in the Calcutta area, the detention period of wagons has increased affecting the turn-round of wagons and the consequent bottleneck. Concerted efforts need to be made to accelerate the release of wagons in this area.

Financial operations

The financial operations of the railways were thrown out of gear by a number of factors for five successive years ending in 1970-71. The total loss incurred in these five years was of the order of Rs 77.35 crores. However, the Railway Convention Committee constituted by Parliament came to its rescue since its recommendations provided relief to the extent of Rs 21.53 crores for 1971-72 and Rs 21.19 crores in 1972-73. Consequently, the railways recorded a profit of Rs 9.08 crores in 1971-72 (Revised

TABLE I

The Railways: 1950-51—1970-71)

(With projections upto 1978-79)

(In millions)

	1950-51	1955-56	1960-61	1965-66	1968-69	1969-70	1970-71	1973-74	1978-79
Passengers originating	1,284	1,275	1,594	2,082	2,213	2,338	2,431		
	(100)	(99.3)	(124.1)	(162.1)	(172.4)	(182.1)	(190.0)		
Passenger kilometres	66,517	62,400	77,665	96,294	106,940	113,382	118,120	135,000	152,000
	(100)	(93.8)	(116.4)	(144.8)	(160.8)	(170.5)	(177.5)	(202.9)	(228.5)
Freight tonnes	93.0	115.9	156.2	203.0	204.0	207.9	196.5		
	(100)	(124.6)	(168.0)	(218.3)	(216.8)	(223.6)	(211.3)		
Freight tonne kilometres	44,117	59,576	87,680	116,936	125,140	128,248	127,358	159,000	191,00
	(100)	(135)	(198.7)	(265.1)	(283.7)	(290.7)	(288.7)	(360.4)	(437.4)

Estimates) and Rs 32.53 crores in 1972-73 (Budget Estimates), The Convention Committee had recommended that the railways should be exempted from payment of dividend on the capital-at-charge of the non-strategic portion of the North-east Frontier Railway and of the unremunerative branch lines. The committee also recommended exemption for a period of three years from payment of dividend on the capital outlay to the extent of 25 per cent annually during the period work was in progress. The payment of interest to railways at the current dividend rate on fund balances was recommended to be kept with the general revenues. It was the windfall consequent upon these recommendations that brought cheer to its financial operations,

Since 1965-66, the freight carried by the railways has fluctuated around the 200-million tonne mark. Starting with traffic originating at 203 million tonnes in 1965-66, it rose to 207.9 million tonnes in 1969-70 only to drop below the 200-million tonne mark at 196.5 million tonnes in 1970-71. Again, in 1971.72, it remained below the 200-million tonne mark at 197.8 million tonnes. Thus, despite increased capacity created by the railways, the traffic offerings have not risen to stipulated targets bringing about sizeable losses to this undertaking. Particular mention needs to be made of the steel industry which suffered a setback in production and did not fully avail of all the capacity generated by the railways for servicing it till 1971-72. During the current financial year, there are indications that for the first two quarters there was substantial increase in freight offerings in mineral ores for exports, raw materials and finished products of the steel plants, foodgrains, petroleum and fertilizers. There is a possibility of the originating traffic reaching the mark of 210 million tonnes.

The mounting challenges which the railways are likely to be called upon to face in the seventies will have to be met both by toning up the working of this public sector undertaking and by increasing its capacity. The fifth five-year Plan, according to the Approach Paper, has provided Rs 2,273 crores for the Railway Plan as against the provision of Rs 1,575 crores in the current Plan period. This implies a rise of 44.4 per cent in financial outlay which would suffice provided there is no cut-back as was the case with the current Plan. It means that the increase in capacity through fresh outlay and improved efficiency of the railways has a high probability of balancing demand and supply.

Nearly 15 years ago it was realised that the steam engine in this country had to give place to electric engine for a variety of reasons. First, it nsumed high grade metallurgical coal which was in short supply in the country and which was needed for essential industries including the steel plants. Second, it was a highly inefficient user of energy as it utilised less than 10 per cent of coal energy. Third, on long hauls the cost per unit of freight was prohibitive. Consequently, electrification of railways which was concentrated in the suburbs of Bombay and Calcutta till 1957 made its appearance in other parts of the country. The length of the electrified running track has multiplied almost eight times during the past two decades (see Table II). During the seventies, the pace of electrification will have to be quickened so as to improve the efficiency of the railways.

The fourth five-year Plan had envisaged that originating traffic would increase from 204 million tonnes in 1968-69 to 265 million tonnes in 1973-74. The mid-term appraisal revised the traffic forecast to 240 million tonnes. And now it looks as if even this goal might be difficult to attain and the traffic offerings might not exceed 230 million tonnes. The prolonged stagnation in traffic from 1965-66 to 1971-72 will need to be converted into quickened growth keeping in view the expected expansion in different sectors of the economy. The projections made on the basis of the anticipated inputs and the expected rise in output indicate that the traffic offerings would not exceed 300 million tonnes in 1978-79. The railways will be called upon to carry all the low-rated traffic offering but a major part of the high-rated traffic might get diverted to the roads because of the ill reputation that the railways have acquired. It will hurt the financial operations of the railways and either freight rates will have to be raised or the railways will have to be treated not as a commercial organisation but as a service organisation. However, there is ample scope for improving the working of the railways through efficient management.

Roads : a neglected sector

Despite three-fold increase in surfaced and unsurfaced roads in this country since Independence, the availability of roads both in terms of area and population is woefully inadequate. There arc only 12 Km of roads in every 100 square Km of area and only 73 Km of roads for a population of 100,000. As against these meagre figures, the United Kingdom has more than 146 Km of surfaced roads for every 100 square metres area and New Zealand has 3325 Km of roads for every 100,000 population.

Recent studies made by the Resereve Bank of India and the World Bank Team in a transport survey of the eastern regions have all pointed to a major lag in the development of roads in this country. At the 34th annual session of Indian Roads Congress held at Gandhinagar on November 26, 1972 Mr S. N. Sinha in his presidential address also stressed the need for the development of urban and rural roads as well as the development of the highways. He suggested that the fifth five-year Plan should not fix the outlay on roads at less than 6.5 per cent of the total Plan outlay. He also pointed out that there was a chronic comlaint regarding the sub-standard character of our surfaced roads as a result of which the road users in the country had been suffering for a long time. In the fifth Plan period, he suggested, the country should attack these deficiencies squarely.

All over the world motor transport as well as road building have countributed significantly to the growth in the gross national product of

TABLE II

Electrification of the Railways : 1950-51—1970-71

(Kilometres)

At the end of the year		Route length		Running track	
		Electrified	Total	Electrified	Total
1950-51	B.G.	359	25,258	879	30,804
	M.G.	29	24,185	58	24,358
	N.G.	..	4,153	..	4,153
	Total	388	53,596	937	59,315
1970-71	B.G.	3,540	29,449	7,226	40,825
	M.G.	166	25,865	221	26,362
	N.G.	..	4,476	..	4,482
	Total	3,706	59,790	7,447	71,669

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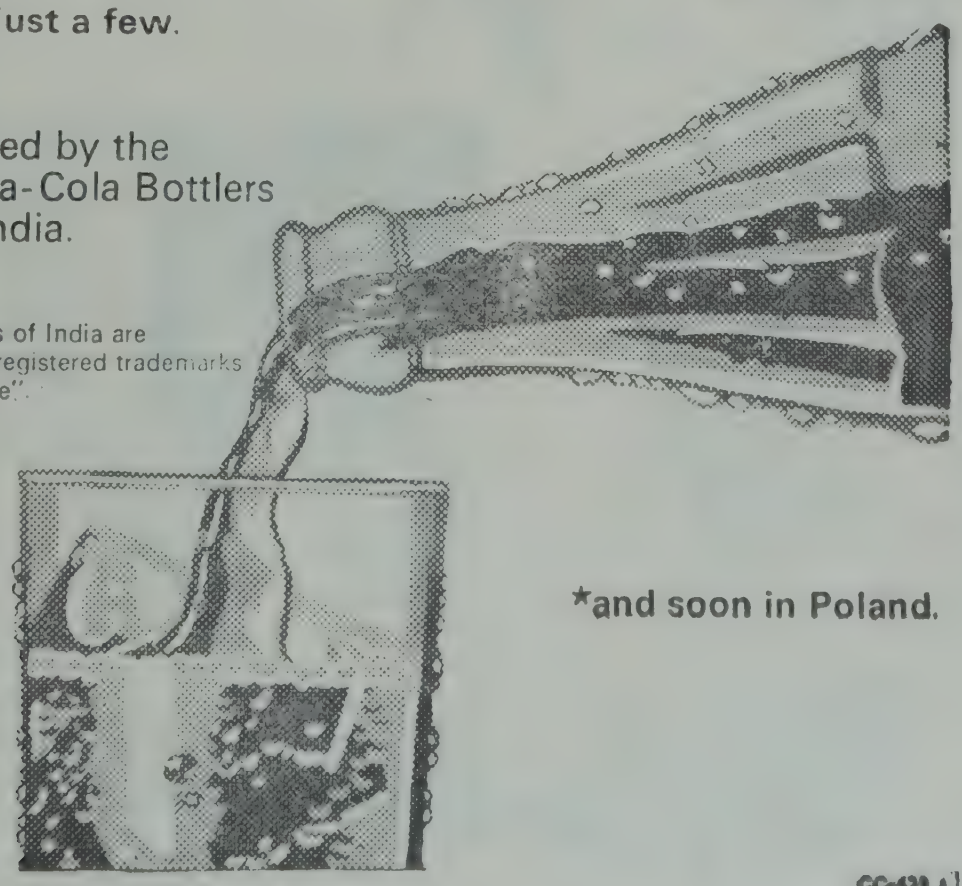
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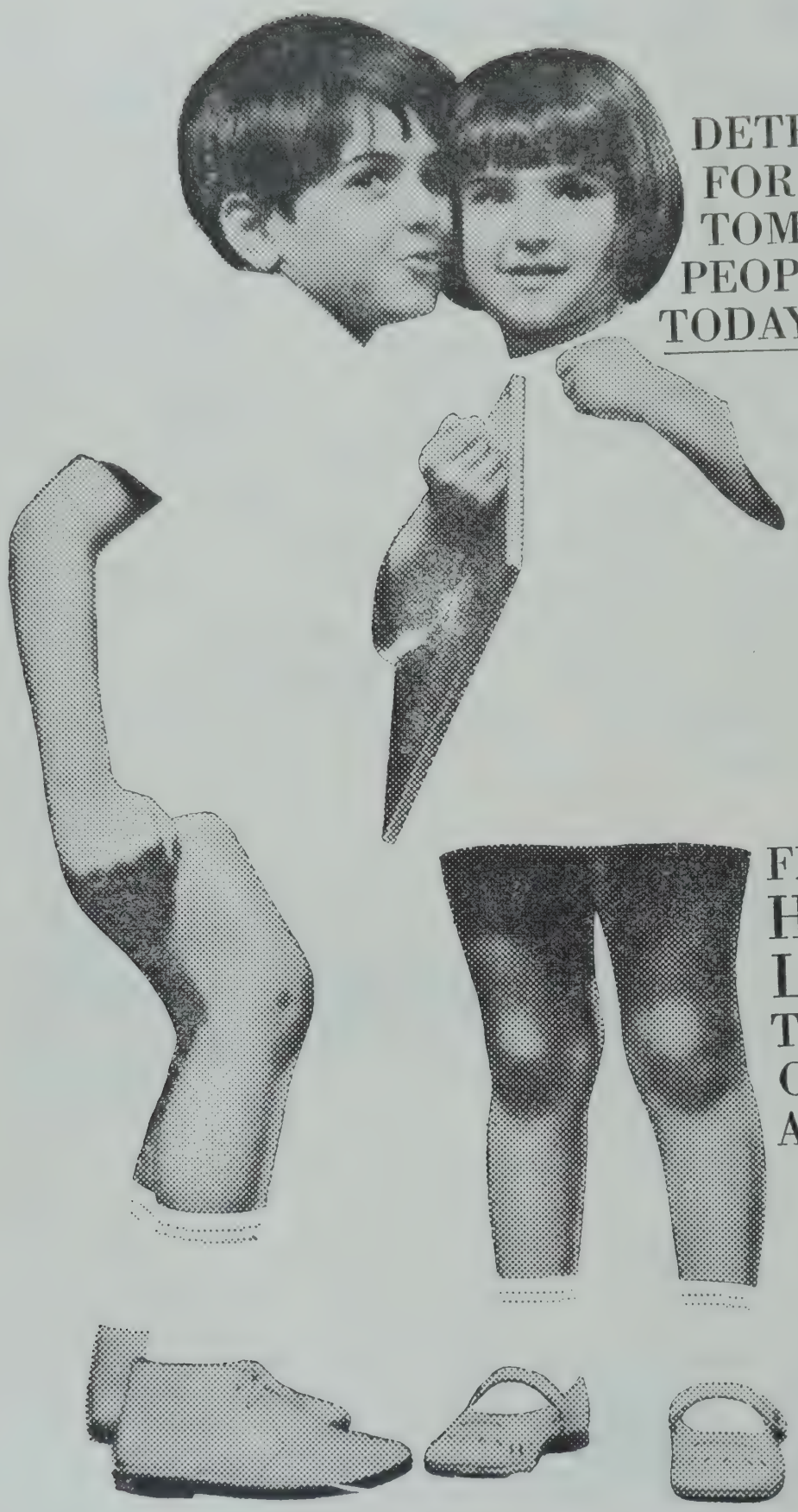
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a number of countries but our country has remained significantly backward in this regard. We need increased length of our roads if for no other reason than to open out the vast areas of this country which cannot be reached except by walking or riding. True, some progress has been made in this regard but it falls far short of our requirements.

The opening up of rural areas has great importance for our country because, accordnig to a recent estimate, about 30 per cent of our 500,000 villages do not have even approach roads. Unfortunately, the road development programme in our country has not received the priority which it deserves for playing a central role in the process of economic development. The rural roads not only bring the rural and urban populations nearer but they play the most vital role of exposing the rural population to modern influences. The rural population can derive the maximum benefit from the green revolution only if its surplus produce is carried quickly to the market place. Also, the tempo of the green revolution can be kept up only if the farmer is able to procure agricultural inputs in adequate quantities at the right time. The absence of roads not only puts hurdles in the use of these inputs but also reduces the benefits to the farmer because of the spoiling of the perishable commodities. The rural and urban populations are inter-dependent and the network of roads can bring about an imporvement in the standard of living of both sections of society.

As stated earlier the roads expose the rural population to new influences such as family planning, medical and educational facilities. It is not enough that the farmers are able to have improved yields and consequently increased money incomes. They must also participate in the greater experiment being conducted in this country to bring the rural population within the fold of the planning process which in turn would lead to increase in the level of living.

Tables III, IV and V bring out clearly the inadequacies of road length in our country. They also show how countries such as Sri Lanka, Spain and the Philippines have done considerably better than our country in regard to road construction. Of course, the industrially developed countries are way ahead of us in this regard. What is worth noting is that out of 1.25 million Km of road length in our country only one-third constitutes surfaced roads. The pitiable condition in regard to surfaced roads is brought out clearly in Table IV wherein the surfaced road lengths in this country in terms of area works out to less than one tenth of the level in the United Kindom, West Germany, France, Switzerland and Denmark.

That the modern road system could benefit this country in more ways than one is fully recognised. The Keskar Committee, for example, estimated that the annual operating cost of our road transport could be reduced by about Rs 160 crores if we develop a modern road system. We have however, continued to ignore this vital sector of our infrastructure and have not been able to reap the full benefit of our investments elsewhere in the economy.

In addition to increasing the length of our surfaced roads, we have to deal with the problem of density of traffic which would involve the widening of roads. At the recent seminar on roads, Mr Raj Bahadur, union Minister for Roads stated that at least a beginning should be made regarding the widening of our heavy traffic roads, especially the creation of four lanes on selected national highways and also on roads radiating from state capitals, metropolitan centres and industrial complexes. This would generate additional employment and also increase the mobility of road traffic and reduce accidents.

It may be recalled that a long-term plan for road development was prepared by the Conference of Chief Engineers in 1958. This plan had set targets in 1980-81 broadly on the same pattern as the Nagpur Road Plan of 1948. The objectives of the plan included (1) to bring every village in a developed and agriculture area within 6.4 Km of a metalled road and 2.4 Km of any other road; (2) to bring every village in a semi-developed area within 12.8 Km of a metalled road and 4.8 Km. of any road; and (3) to bring every village in an undevelop-

TABLE III

Growth of Road Length in India : 1947-1972

(Kilometres)

Year	Surfaced roads	Classified unsurfaced roads	Other roads*	Total
1947	145855	242371	..	388226
1951	157019	242923	..	399942
1956	208796	269788	59594	538178
1961	262746	258358	204059	725173
1966	339374	299257	419435	1058066
1969	386784	296000	488000	1170729
1972 (Estimated)	430000	320000	504000	1254000

*Includes a negligible length of surface roads also built by Forest Deptt. Irrigation/Electricity Deptts etc. otherwise these roads are mostly Katcha built by CD & NES blocks and Forest Deptts.

TABLE IV

Road Length (Total) Relative to Area & Population in Different Countries (1970)

Area Basis (Kms. of Road for 100 sq. Km. of area)		Population Basis (Kms. of Road for 1,00,000 persons)
312.38	Netherlands	806
300.99	Belgium	949
271.82	Japan	971
167.36	W. Germany	697
146.24	UK	641
143.45	France	1545
143.09	Denmark	1253
138.51	Switzerland	933
98.60	Italy	537
63.77	USA	2907
62.59	Sri Lanka	328
36.37	India	271
34.90	New Zealand	3325
27.47	Spain	417
25.24	Philippines	197
21.80	Sweden	1218
11.74	Australia	7193
8.22	Canada	3831
6.65	Indonesia	70
4.78	Iraq	220
4.72	UAR	142
4.01	Thailand	58
3.71	Pakistan	31
3.69	Burma	91
2.37	Iran	137

ed and uncultivable area within 19.2 Km of a metalled road and 8 Km of any other road. It had also indicated that the annual expenditure on road development should be increased from Rs 80 crores in 1961-62 to Rs 440 crores in 1981-82. Unfortunately, this has remained a paper plan because the outlay on roads has been far below the level envisaged by the chief engineers. Consequently, the backlog of outlays on roads continues to rise. Because there has been a major failure in living up to the targets fixed by the chief engineers that in the recent drought in vast areas of this country, it was not possible to carry assistance to the rural people. On the other hand, families from these drought-affected areas left their villages in order to reach road-side towns and cities. In order to provide employment opportunities to these unfortunate families, work has been found for breaking stones to build roads but once the scarcity conditions disappear, these programmes would be abandoned.

Diversion of funds

It is indeed ironic that everyone feels the necessity of encouraging the road development programme but somehow it fails to attract the attention of the people who matter in this regard. Mostly the outlays earmarked for roads are never fully utilised and are diverted to meet the needs of other sectors of the economy. It has been estimated that the backlog of expenditure on roads exceeds Rs 500 crores. At the end of the fourth-five year Plan, it is likely to rise to any where between 700 to 800 crores of rupees.

Very often the argument is put forward that the road development programme in this country should be related to the revenue yielded by road transport. According to latest estimates, the revenue from road transport is likely to increase from Rs 220.49 crores in the first five-year Plan period to Rs 3,500 crores in the fourth five-year Plan period. Whereas in the 1940's more than 70 per cent of the road user revenues was ploughed back into road programmes, the corresponding ratio has come down to about 30 as at present. This is grossly inadequate. As the monetary value of the public sector outlay on each successive five-year Plan continues to increase, the percentage share of the road development programme continues to decline. It may be recalled that the expenditure on road development as a percentage of total public sector investment fell from 8.6 per cent as in the first Plan to 6.7 per cent in the second Plan, 6.5 per cent in the third Plan and 5.5 per cent in the fourth Plan. In the fifth five-year Plan period it is expected to fall further to 4.5 per cent, much against the recommendation of Mr S. N. Sinha, President of the Indian Roads Congress, who wanted it to be kept at least at the same level as prevailed in the third five-year Plan period.

Paucity of services

The expenditure on road development in this country is low even in relation to the country's national income. It was less than one per cent in 1967. Even such countries as Iran, Thailand and Ceylon spend higher percentages of their national incomes on road development. Looked at from any angle, it is clear that this country has neglected its roads during the past 25 years.

A number of arguments have been put forward from time to time in order to draw the attention of the planners in this country to the need for giving increased attention to the construction of roads in our country. The President of India, Mr V. V. Giri, made a pertinent reference to the employment generation aspects of road building in his book entitled "Jobs for our Millions". Said Mr Giri: "Apart from the direct employment potential of a vast road building programme, the rural areas, if opened up, will undergo a transformation in their economy. The cost of such a programme is worth meeting even by deficit financing of half to one per cent of the national income". It is difficult to agree with Mr Giri regarding his suggestion for incurring deficit financing for the purpose of road building but it is certainly undeniable that the advantages to the economy would be far in excess of the investment that are

TABLE V

Road Length (Surfaced) Relating to Area and Population in Different Countries (1970)

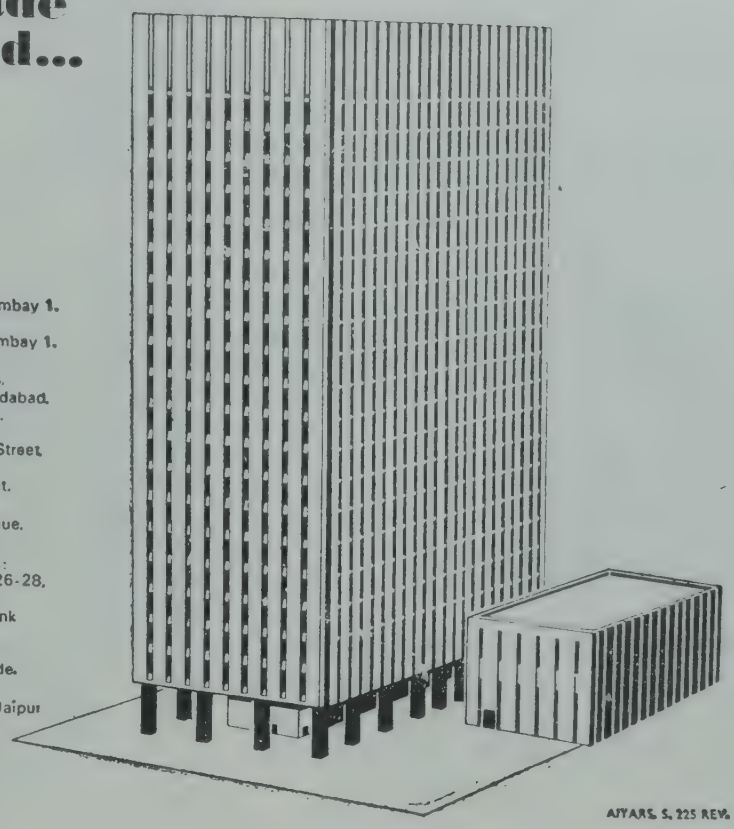
Area Basis (Kms of road for 100 sq Km of Area)		Population Basis (Kms of road for 1 lakh persons)
146.24	UK	641
143.56	W. Germany	598
143.45	France	1545
138.51	Switzerland	933
137.66	Denmark	1205
93.28	Italy	524
57.37	Sri Lanka	301
50.08	USA	2283
34.90	New Zealand	3325
27.47	Spain	417
21.80	Sweden	1218
18.68	Philippines	146
12.22	India	73
5.93	Canada	2768
5.17	Australia	3166
3.47	Indonesia	43
3.17	Thailand	45
2.20	Pakistan	18
2.13	Burma	52
1.67	Iran	96
1.49	Iraq	69
0.90	UAR	30

TABLE VI

Revenue from Road Transport & Expenditure on Roads 1952-1970 (Rs crores)

Year	Revenue	Expenditure
1952	61.3	40.4
1953	59.9	46.4
1954	64.5	52.9
1955	68.5	62.8
1956	71.4	82.2
1957	80.8	86.5
1958	101.5	78.6
1959	107.3	80.9
1960	134.7	90.7
1961	166.9	109.6
1962	194.4	119.9
1963	224.2	134.3
1964	310.9	151.8
1965	347.6	157.9
1966	394.9	179.7
1967	432.4	165.9
1968	481.7	177.7
1969	552.3	196.4
1970	608.4	200.5

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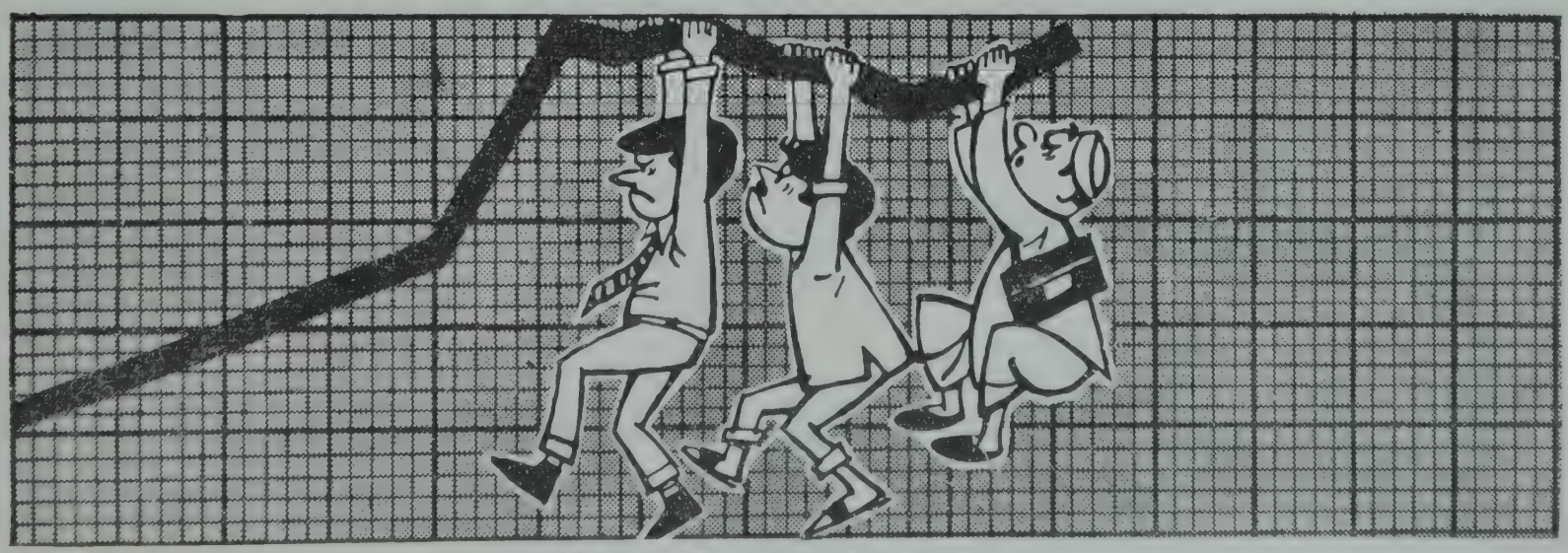


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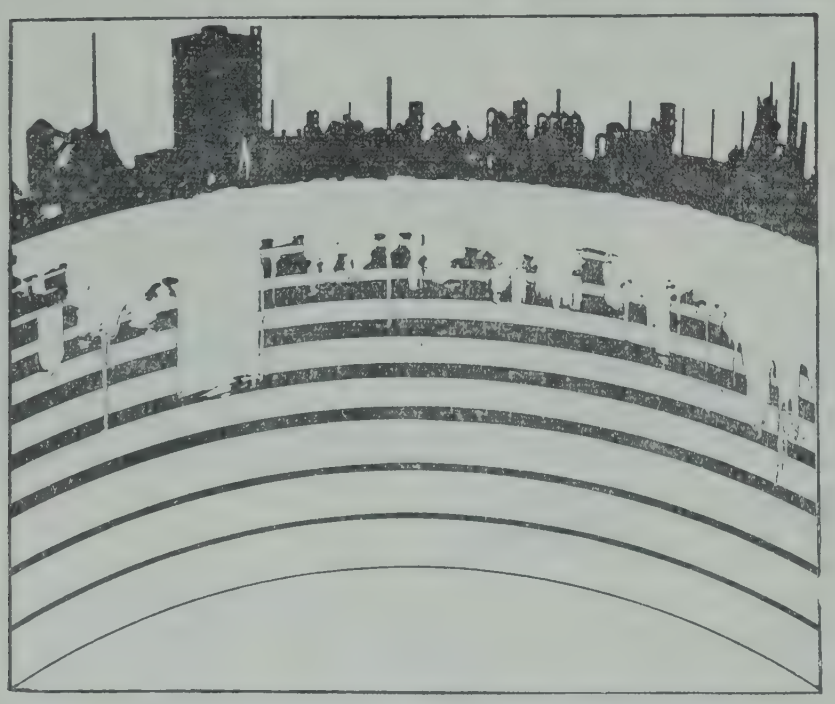
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TELCO, for example, has fostered the growth of 350 suppliers all over the country for manufacturing auto-ancillaries. TISCO again has led to the establishment of the Indian Tube Company, Belpahar Refractories, Tata-Yodogawa, and Tata-Robins-Fraser.

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TATA ENTERPRISES

made in road building activities.

In the road system of our country the national highways occupy a place of pride. Their share is about 35 per cent of the total road transportation load, though the length of the national highways is only seven per cent of the total surfaced road network in the country. It is necessary, therefor, that the national highway system should enjoy amenities in keeping with the burden it has to carry. It has been known that the facilities available for the vehicle, the driver or the passenger are highly inadequate in this country's national highway system. Not only that, there is paucity of service stations for vehicle repair or rest houses for night stay but many of the highways which lead to tourist spots, important cities and industrial centres, lack basic requirements such as fuel and for motor vehicles.

Railways to blame

The inefficiencies of the railways have driven many manufacturers to make use of the services of the road operators for the mevement of their products. If high-rated traffic has been diverted from the railways to the roads, the railways themselves are to be blamed. The road operators have filled a gap in the economy and have been instrumental in speedy distribution of goods in various parts of the country. The number of trucks on the roads has mulitplied more than four times; also the number of motor vehicles in the country has multiplied five times since 1950-51. As Table VII shows, the number of vehicles on the roads in this country was a little more than 300,000 in 1950-51 but had risen to about 1.5 million in 1968-69. Though figures are not available for 1971-72, there is no doubt that the total number of vehicles has crossed the two million mark. The expansion in road transport, however, has been contained by the high rate of taxation. A number of committees set up by the government of India in recent years have looked into the problem of the road operators and almost everyone has recommended both a reduction in taxation and simplification of the procedures. Unfortunately, the recommendations of these committees have been shelved both by the centre and the states. An unofficial estimate shows that the burden of taxation on vehicles plying in this country is perhaps the highest in the world today. A sensible suggestion of the Kesker Committee that a standard inter-state tax should be imposed on road transporters has not been accepted by the states. The government of India as well as the state governments have not missed any opportunity of imposing fresh taxes on vehicles but have failed miserably both in providing facilities in road construction and road maintenance.

Wanted : large-sized ships

OUR RANKING in regard to shipping tonnage in the international scale is not very flattering. The total tonnage of all Indian ships constitutes about one per cent of the world shipping tonnage (see table VIII). It is conceded that the number of ships has increased significantly from 94 in 1950 to 256 today but all our capacity is sufficient to carry only one-fifth of our cargo. The long-term target of carrying at least 50 per cent of our cargo in our own ships seems to be a far cry. Not that efforts in this direction have been lacking but for some unknown reasons the case for increased shipping capacity has not been put forward to the planners in an effective manner. It is a well-recognised fact that the development of our own shipping tonnage would go a long way in saving valuable foreign exchange and can provide stimulus to our export trade. In addition, it can be instrumental in reducing the economic cost of transporting our cargo. But all these arguments do not seem to have cut much ice with the planners.

Our country has developed capacity to build its own ships but it is not sufficient to meet the current or prospective needs of the country. Consequently, there in no option for us but to go in for purchasing ships in the markets of the world. There was a time when the international market was very favourable to intending purchasers of ships. All that was required was a down payment of 20 per cent of the cost of the ship while the balance could be paid over a period of up to eight years. The purchasers of ships could earn by plying their ships and then repay instalments out of the profits. Recently, however, a large number of countries have started increasing their shipping capacity at a fast rate. There is almost a scramble for new ships and, therefore, the shipyards have hardened the terms on which new ships are being currently booked. For example, shipyards now insist on full payment on the delivery of a ship. Even where instalments are allowed, the period of repayments has been reduced from eight to five years. Also, the rate of interest on outstanding balances has been increased beyond

TABLE VII

Growth of Motor Vehicles in India : 1950-51—1968-69

Year	Motor cycles & auto rickshaws	Passenger cars & jeeps	Taxis	Buses	Trucks	Others	Total
1950-51	26,860	147,712	11,551	34,411	81,888	3,891	3,06,313
1955-56	40,961	187,866	15,318	46,461	119,097	15,857	4,25,560
1960-61	94,595	287,913	21,663	56,752	167,649	35,865	6,64,475
1965-66	241,701	420,096	35,725	73,175	258,977	69,369	10,99,043
1968-69 (Provisional)	402,646	509,489	50,497	86,570	306,802	102,579	14,58,583

six per cent which was the rate in the past. What is more, shipyards are no longer aggreable to fixed-price contracts but insist on having an escalation clause in each contract. It means that the price of the ship also continues to increase during construction as and when the prices of the materials rise. Whatever the changed circumstances in the international markets, our country has no option but to plan on a long-term basis and place orders for ships with the shipyards accordingly.

The total shipping tonnage in operation as on April 1, 1972 was 2.51 million GRT as against 2.44 million GRT a year earlier. The net addition during 1971-72 was no more than 65,000 GRT. The capacity could have been increased but for the following three reasons: (a) the prices of ships in the world markets rose, (b) credit was not available on reasonable terms, and (c) the shipyards were not interested in selling ships on deferred terms.

Among the new acquisitions during 1971-72 were two dry cargo vessels from East Germany and two from West Germany. The Mogul Lines purchased a pilgrimage vessel named AKBAR which was constructed in Denmark. Even though coastal tonnage suffered a slight decline to 218,000 GRT in 1971-72 it gained sizably in volume of operations due to opportunities offered by Bangladesh. Foodgrains, fertilizers and other goods are new being carried to Bangladesh in our ships.

At the beginning of the fourth five-year Plan period, the total shipping tonnage in this country was around 2.14 million GRT. At that time 0.62 million GRT had already been ordered. The provision of Rs 140 crores for shipping in the fourth Plan period was designed to raise the capacity of shipping tonnage in this country to four million tonnes out of which 3.5 million GRT would have been realised while the balance 0.5 million GRT would have been on order. Even if the target of four million GRT in 1973-74 is attained, we will have to traverse a long journey before we can hope to reach the target of 50 per cent of our national trade being carried by our own ships.

According to "Approach to fifth five-year Plan", the Planning Commission proposes to raise the outlay on shipping from Rs 140 crores to Rs 300 crores. Part of this expenditure will be needed to cover the cost of ships orders for which have already been placed. The outlay for new ships in the fifth five-year Plan would be no more than Rs 200 crores. While we will be adding new GRT to our shipping tonnage, some of the old ships will have to be scrapped. There is no doubt that the objective of raising shipping tonnage by 2 million GRT is likely to be attained if the outlay earmarked is fully utilised. Taking into account the scrapping of old ships, our shipping tonnage will at best rise to a little less than six million GRT as against the total world shipping tonnage of the order of 250 million GRT as at present and which might rise beyond 400 million GRT in 1978-79. It implies that despite these Herculean efforts on our part, we might at best succeed in retaining our present percentage share in world shipping.

Along with purchasing ships from foreign countries, we in this country have been expanding our own shipbuilding capacity. The Visakhapatnam shipyard has at present capacity to build four to five ships in a year. With a little expenditure its capacity could be raised to a minimum of six ships a year. The scheme for

TABLE VIII

India's Position in World Shipping

Countries	Tonnes as on 1-7-1970 (GRT)	Percentage to world tonnage
Liberia	3,32,96,644	14.64
Japan	2,70,03,704	11.87
United Kingdom	2,58,24,820	11.35
Norway	1,93,46,911	8.50
United States	1,84,63,207	8.12
USSR	1,48,31,775	6.52
Greece	1,09,51,993	4.81
W. Germany	78,81,000	3.46
Italy	74,47,610	3.27
France	64,57,900	2.84
Panama	56,45,877	2.48
Netherlands	52,06,663	2.29
Sweden	49,20,704	2.16
Spain	34,40,952	1.51
Denmark	33,14,320	1.46
India	24,01,656	1.06
Canada	23,99,949	1.05
Brazil	17,21,608	0.76
Poland	15,80,298	0.70
Yugoslavia	15,15,563	0.67
Finland	13,97,232	0.62
Argentina	12,65,510	0.56
Cyprus	11,38,229	0.56
China (Taiwan)	11,66,230	0.51
Australia	10,74,112	0.47
Belgium	10,62,152	0.47
China (Peoples Rep.)	8,67,994	0.38
Others	1,58,65,251	6.97
World Total	22,74,89,864	100.00

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the setting up of a second shipyard at Cochin is already sanctioned. The Cochin shipyard will be able to build ships with capacity of 66,000 DWT and later of 85,000 DWT each. The government of India has entered into an agreement with a Japanese firm to complete the yard within five years. It will, however, start turning out ships sometime in the next five-year Plan period.

All our efforts at shipbuilding will be of a supplementary nature because vast changes are taking place all over the world in the technology of shipbuilding. The new ships have changed both in terms of technology and size. Seeking assistance from the leading shipbuilders of the world can help this country in turning out the most modern ships at economic cost. The process of collaboration should indeed be encouraged. Since large sized ships are economical to operate, at our shipyards also, we must go in for large-capacity ships.

The Shipping Corporation of India (SCI) has received the consent of the International Development Association for a credit of $83 million for purchasing four overseas crude tankers of 87,500 DWT each and two coastal product carriers of 24,114 DWT each. The SCI has already contracted with Japanese and Yugoslavian shipbuilders for the purchase of these ships. According to newspaper reports, the Shipping Corporation of India which has got a creditable record in financial operations, has chalked out a plan for the addition of five million GRT to its existing shipping strength.

Roughly it has been estimated that the cost would be around Rs. 1,000 crores, which would be needed for buying bulk carriers and tankers. If the proposed allocation for shipping in the fifth five-year Plan period is any guide, the SCI will find it hard to obtain funds of the proposed order. Granted that the SCI possesses the expertise to run its outfit in an efficient manner, it would be hard to bring round the planners to allocate funds of that order in the next fifth five-year Plan period. Surely this plan will have to be spilt over to the sixth five-year Plan period.

All over the world there is a tendency, as stated earlier, to go in for large-sized tankers and bulk carriers. According to latest figures, it has been estimated that more than one-third of the total world shipping capacity consists of large-sized tankers. Our country imports crude oil in large-quantities. In order to carry the imported crude in our own tankers, we must augment our fleet of tankers. Two tankers have already been acquired for servicing the Madras refinery. As we propose to increase the number of refineries in the coming years and also increase the capacities of the existing ones, we have no option but to accord a high priority to the acquisition of large-sized tankers. A tanker of the sized of 100,000 DWT is considered to be small to-day. Nearly four-fifths of the tankers of the world today have capacity of 200,000 DWT each.

The slow progress in the acquisition of new ships is currently proving a heavy drain on our foreign exchange resources. Nearly four-fifths of our cargo is carried in ships of other nations for which we have to pay freight charges in foreign exchange. The government of India must make an all-out effort to mobilise resources, especiallyt hrough the World Bank and its affiliates, for augmenting our fleet. The usual arguments put forward by international agencies against the building up of

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Indira Gandhi
Prime Minister of India



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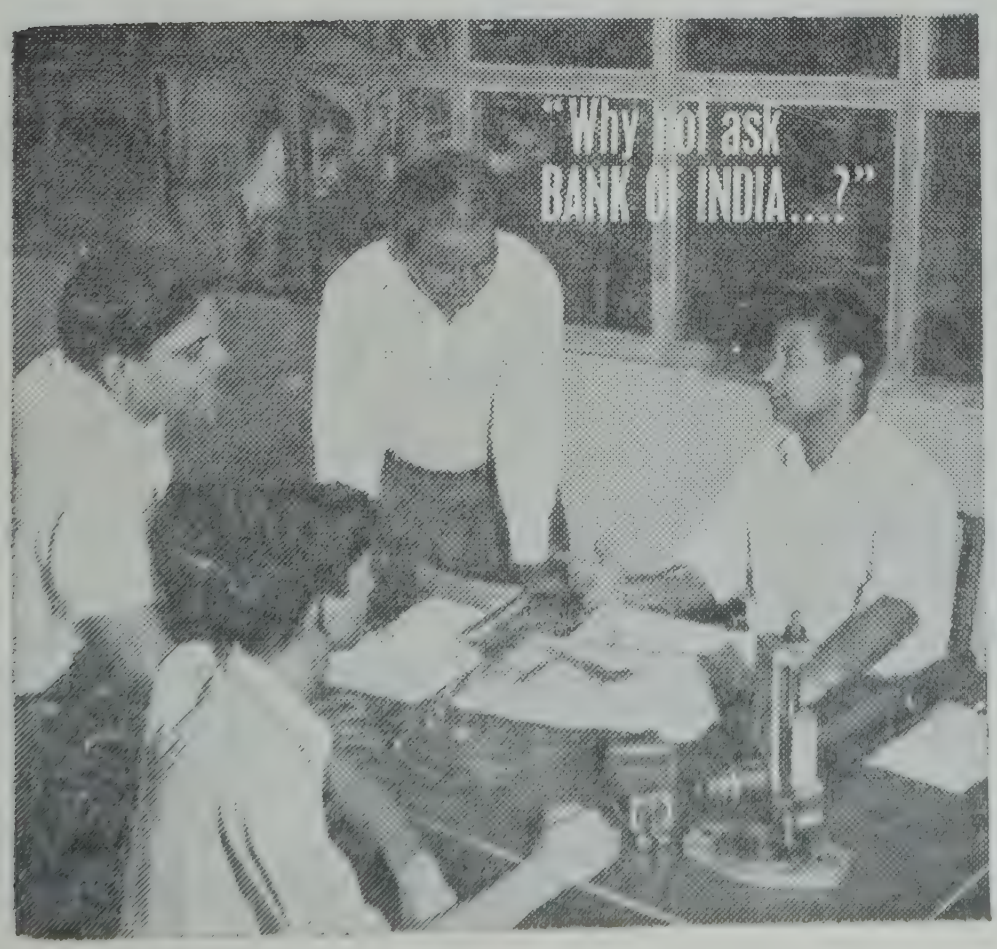
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fleets by developing countries should be convincingly refuted. For example, the World Bank in its sector working paper on transportation has put forward the following counter arguments for the developing countries not going in for increased shipping facilities. "First, fuel costs, ship capital costs, crew expenditures, repair and foreign port charges are often foreign exchange costs which cut significantly into expected foreign exchange savings or earnings. Second, the profitability of national flag shipping from an economic viewpoint often depends fundamentally upon rates being charged in the market; these can fluctuate widely from one party to the next, making investment decisions based on them especially uncertain. It is questionable whether capital poor countries can afford to run the risks of the shipping trade, unless the potential gains are commensurately large."

It is obvious that those countries which enjoy near monopoly in shipping would take all possible measures to cut down competition or reduce its size. Naturally they are opposed to the acquisition of ships by the capital-poor countries such as ours. We might succeed in obtaining funds for coastal and inland shipping but to bring round the multilateral agencies for advancing funds for the acquisition of ships which would ply all over the seas is going to be a difficult task.

Airlines hoist red signals

THE RISING pressure of passenger and freight traffic has been met, though not always adequately, by Air-India as well as Indian Airlines. As service organisations, they have different images in the minds of the people which make use of the facilities offered by them. Indian Airlines has earned the wrath of many a passenger and its working operations need to be toned up. Air-India has earned a good name for itself in the international market though lately its financial operations have become a source of anxiety.

For the first time in the aviation history of our country, both Air-India and Indian Airlines showed losses in their financial operations in 1971-72. Air-India recorded a net loss of Rs 1.66 crores while the net loss of Indian Airlines was significantly higher at Rs 4.55 crores. Indian Airlines in 1970-71 had recorded a still higher loss of the order of Rs 4.68 crores as against the profit of Rs 2.70 crores by Air-India. An analysis of the financial operations of both Air-India and Indian Airlines for the past decade (see Table IX) shows that the latter has been run inefficiently. The losses incurred by Indian Airlines in 1970-71 and 1971-72 have been rather large. In the decade ending 1971-72, Indian Airlines had an annual average capital employed of the order of Rs 39.8 crores and had incurred the annual average loss of Rs 0.51 crores. Air-India on the other hand recorded a loss only in 1971-72. During the decade ending in 1971-72 it had average annual working capital of 26.1 crores with annual average profit of Rs 2.13 crores indicating a rate of return of a about eight per cent.

The year under review was no doubt extrarodinary in the sense that our strained relations with Pakistan enhanced the costs of both the corporations. In the case of Indian Airlines, circuitous flying in the eastern region to avoid fiying over the erstwhile territory of East Pakistan and suspension of flights to Kabul resulted in an estimated loss of Rs 1.20 crores. Indian Airlines had also to pay extra premium against war risk and hijacking insurance which amounted to Rs 50 lakhs, Also, the unsettled political conditions and the hostilities with Pakistan in December 1971 are estimated to have caused a fall in operating revenue of the order of two crores of rupees. The impact of additional excise duty on aviation fuel caused an extra burden of one crore of rupees. Had these pressures not developed, it is the view of the Indian Airlines administration that the undertaking would have shown a small profit.

Air-India has had problems of its own, mostly those which affected the indnstry as a whole and involved practically all international airlines. The abnormal conditions in the sub-continent also partially influenced the operations of

TABLE IX

Working Results of Air-India and Indian Airlines

Year	Air-India		Indian Airlines	
	Net Working capital (Rs crores)	Net Profit (Rs crores)	Capital employed (Rs crores)	Net profit (Rs crores)
1962-63	15.69	2.35	17.16	0.61
1963-64	19.27	3.04	21.94	1.04
1964-65	21.01	3.04	23.21	1.33
1965-66	19.66	1.64	27.49	0.32
1966-67	24.08	3.89	40.38	—2.84
1967-68	22.50	1.89	42.97	—0.26
1968-69	22.57	2.14	45.97	1.66
1969-70	30.59	2.27	49.39	2.28
1970-71	46.84	2.70	68.39	—4.68
1971-72	38.64	—1.66	60.67	—4.55
Total	260.85	21.30	397.57	—5.09
Annual Average	26.1	2.13	39.8	—0.51

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this corporation The massive influx of refugees from Bangladesh into India created a scare of cholera epidemic resulting in wholesale cancellation of all tourists booked to travel on Air-India during 1971. The tension on India's frontiers had culminated in the 14-day war with Pakistan in December 1971 which caused a state of uncertainty in travel business and also discouraged the tourist traffic to our country. The services of Air-India were also disrupted during the period of war. It had to avoid Pakistani air space and had to take to circuitous flying which caused extra expenditure. Also the imposition of travel tax by government on travel emanating from India had an adverse effect on the business of Air-India.

In the international market substantial additional capacity was created with the world-wide introduction of Boeing 747 aircraft, resulting in keen competition. The continued recession in the USA and the UK and other countries reduced the tourist traffic. The concequence of both these factors was a dilution of revenue and a fall in revenue yields consequent upon the introductiion of a variety of low fares. While yields were failing, costs all over the world were going up.

Air-India has the consolation that it is not alone in showing losses in its financial operations. Mr J. R. D. Tata, Chairman Air-India, has stated in the annual report of the corporation for 1970-71 that heavy losses have been reported by the world's major airlines and the net loss of Rs 1.66 crores by Air-India was a relatively minor one, representing only 2.1 per cent of the corporation's total turnover of Rs 79.93 crores after meeting its expenses including depreciation and interest. There does not seem to be a possibility of improving the financial operations of Air-India during the current year as well. The economic situation in the world has improved somewhat but the impact of declining yields is likely to produce unfavourable results.

The root cause of the trouble is the widespread adoption by all IATA airlines of special promotional fares some of which hardly meet the cost of operations. This is designed to attract additional traffic to meet the growing competition of non-scheduled carriers who concentrate on seasonal high density routes and try to capture a substantial part of the world traffic particularly in Europe and over the Atlantic. The scheduled services because of the low load factor are run on a loss. Over the years, scheduled airlines have introduced a different variety of special promotional fares at rates involving discounts on standard economy fares as high as 65 per cent in some cases. Moreover, the creation of subsidiary non-IATA chartered companies has also brought about keen competition, resulting in reduction in revenue. On top of it all comes the practice of secret rebates and other violations of IATA regulations. In the words of Mr J. R. D. Tata, "these practices have made a shambles of the IATA fare structure and, in some areas, brought about its virtual collapse."

What is the future for both these public sector airlines ? According to the approach to the fifth Five- Year Plan, the government has earmarked an additional amount of Rs 200 crores for making



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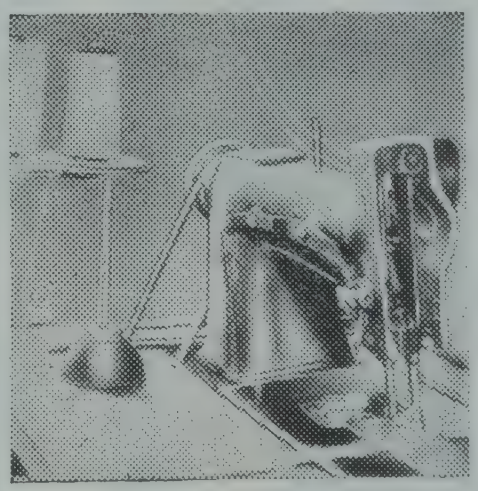
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available to both these corporations for strengthening their fleets. In other words, the government has taken into consideration the growing expansion in activities of both these corporations, hoping that they would be able to reduce their losses.

Air-India has made a substantial progress during the past decade. The passengers carried by it increased from 165,736 in 1962-63 to 453,156 in 1971-72 recording an increase of 173 per cent. The jumbo jets are expected to increase the number of passengers sizably and by the end of the current decade, their strength is likely to touch the million-mark if the present pace of growth continues.

It may be stated that 66.2 per cent of the revenue of Air-India comes from passengers. The share of freight and excess baggage is 17.9 per cent while the share of mail, charter and other incidental revenue is one-sixth of the total revenue. It shows that Air-India has to depend to a larger extent for its expansion on its capacity to be able to attract tourists all from over the world.

Indian Airlines, however, stands in a separate class altogether. It has now recorded losses for two years running. Earlier also, in 1966-67 and 1967-68 it had shown losses, but had improved its operation in the succeeding two years. It is the view of Indian Airlines that the duty on fuel is a very heavy financial burden on it. The excise duty on turbine fuel was increased from Rs 140.96 per kilolitre in 1968-69 to Rs 180.41 per kilolitre in 1969-70 and to Rs 200.13 per kilolitre in 1970-71. The excise duty on aviation gasoline increased from Rs 496.52 per kilolitre in 1968-69 to Rs 565.30 per kilolitre in 1969-70 and to Rs 663.57 per kilolitre in 1970-71, and further to Rs 880.11 per kilolitre in 1971-72. The fuel and oil now account for 22.8 per cent of operating costs of Indian Airlines. The corporation has represented to the government more than once that it should be put on par with Air-India in so far as excise duty on fuel is concerned.

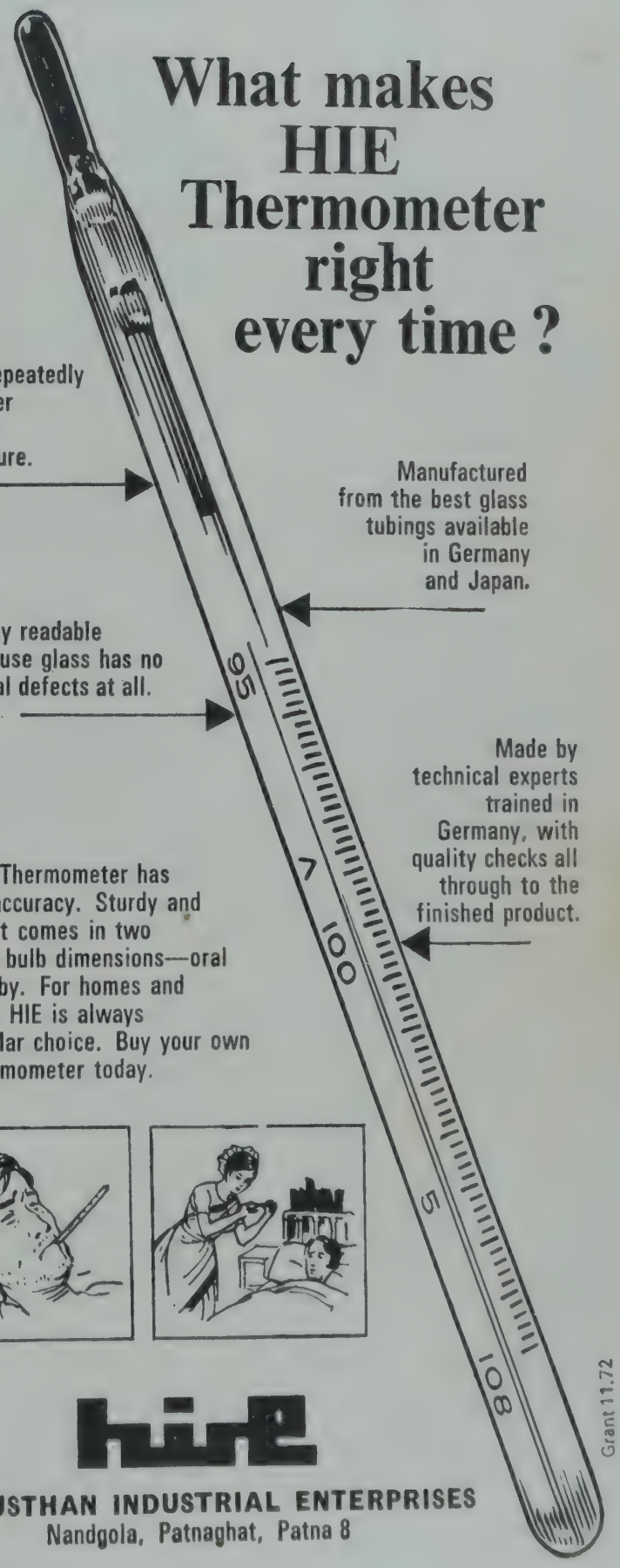
It is necessary that Indian Airlines should be made to operate without incurring losses whether through increase in fares or through forced economies or through concession in excise duties. It is necessary that for its long-term growth it should cut its losses because otherwise the cumulative burden over a number of years will become a great hindrance for its expansion.

Between 1962-63 and 1971-72 the total revenue passenger kilometres flown by Indian Airlines showed a rise of 157 per cent from 692 million to 1,782 million. The process of expansion has been acceleratep with the acquisition of Boeing-737. At the end of the current decade in 1980-81, Indian Airlines can hope to fiy revenue passenger kilometres of the order of 3,000 million, provided it takes care to keep expenditure under control and bring about efficiency through the use of modern techniques.

Industrial relations in this undertaking have been a major factor in slowing down the pace of expansion and in reducing its profitablity. It is necessary that the management should work out some arrangement whereby set-backs to its working caused by bad relations with workers are reduced if not eliminated altogether.

—S. P. Chopra

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Green revolution or grey ?

IN THE field of agricultural research, the union Ministry of Agriculture has pursued a new strategy during the last three years, mainly in the form of co-ordinated research projects. The success, however, has been very limited. It has been realised that the overall 'pace of implementation of research schemes left much to be desired'. A large number of research projects did not even get started by the second year of the fourth Plan, the most significant gap being in certain vital sectors such as pulse crops.

To get over this failure the Planning Commission has proposed that in implementing the research programmes, even at the stage of the formulation of the fifth Plan certain general principles should be adhered to, which include identification of the specific problems of research and maintenance of a close interaction between the research scientists, extension workers and those concerned with marketing and processing. Certain administrative and financial procedures which tend to impede quick implementation of research projects should be radically altered. Advanced detailed project formulation should be undertaken so that implementation could be taken in hand right from the commencement of the fifth Plan.

In the sphere of intensive cultivation a partial success was visible. A total area of 11.41 million hectares was covered under the High-Yielding Varieties Programme (HYVP) during 1969-70 and the coverage in 1970-71 and 1971-72 increased to 15.38 and 17.94 million hectares, respectively. Similarly, 2.03 million hectares of additional area were brought under multiple cropping during 1969-70 and the additional coverage in 1970-71 and 1971-72 was estimated at 1.78 and 1.98 million hectares, respectively. The state-wise progress has been indicated in Tables I and II.

TABLE I

Progress of High-Yielding Varieties Programme from 1969-70 to 1971-72

('000 hectares)

States/union territories	Level reached by		
	1969-70	1970-71	1971-72 (anticipated)
Andhra Pradesh	603.72	650.08	1224.16
Assam	111.20	150.51	214.00
Bihar	825.15	1332.00	1501.00
Gujarat	332.00	802.00	776.00
Haryana	602.00	911.00	1064.00
Himachal Pradesh	91.62	150.75	201.00
Jammu and Kashmir	165.97	178.70	205.70
Kerala	239.00	264.00	350.00
Madhya Pradesh	421.40	563.00	828.00
Maharashtra	970.00	1415.00	1070.00
Meghalaya	1.84	2.92	10.00
Mysore	407.00	549.00	642.00
Nagaland	0.19	0.14	0.92
Orissa	183.90	196.10	309.00
Punjab	1661.00	1803.00	2040.00
Rajasthan	528.00	700.00	800.00
Tamil Nadu	1233.00	1988.00	2388.00
Uttar Pradesh	2311.00	2709.00	3090.00
West Bengal	633.00	901.60	1100.00
Andaman & Nicobar Islands	1.37	1.50	2.40
Chandigarh	1.14	1.28	1.44
Dadra & Nagar Haveli	0.15	0.34	0.43
Delhi	43.02	52.56	54.72
Goa, Daman & Diu	8.82	11.16	12.76
Laccadives, Minicoy & Amindivi Islands	..	..	..
Manipur	3.94	8.56	3.86
Arunachal Pradesh (NEFA)	0.69	0.80	1.95
Pondicherry	25.00	26.33	28.51
Tripura	8.19	14.10	16.65
All-India	11413.31	15383.33	17957.50

TABLE II

Progress of Multiple Cropping Programme from 1969-70 to 1971-72

('000 hectares)

State/union territories	1969-70 Achievement	1970-71 Additional	1971-72 Additional (anticipated)
Andhra Pradesh	225.00	150.00	225.00
Assam	60.70	40.00	40.00
Bihar	44.00	115.00	175.00
Gujarat	4.00	92.00	80.00
Haryana	80.00	7.00	40.00
Himachal Pradesh	3.97	2.45	6.07
Jammu & Kashmir	..	20.00	10.00
Kerala	9.00	9.00	11.00
Manipur	..	..	..
Meghalaya	..	..	0.02
Madhya Pradesh	256.00	64.00	210.00
Maharashtra	50.00	40.00	60.00
Mysore	..	42.00	32.00
Nagaland	..	..	..
Orissa	231.00	175.00	175.00
Punjab	125.00	151.00	150.00
Rajasthan	188.00	200.00	225.00
Tamil Nadu	179.00	83.00	40.00
Tripura	..	..	..
Uttar Pradesh	447.00	354.00	354.00
West Bengal	121.00	235.00	121.00
Andaman & Nicobar Islands	..	..	..
Arunachal Pradesh (NEFA)	..	..	..
Chandigarh	..	..	..
Dadra & Nagar Haveli	..	..	..
Delhi	4.32	1.82	2.40
Goa, Daman & Diu	..	2.62	2.80
Laccadive, Amindivi and Minicoy Islands	..	..	..
Pondicherry	..	..	..
All-India	2027.99	1783.79	1984.29

COMPILING THE BIOGRAPHY OF A NATION

New methods speed up census operations.



(Photograph courtesy T. Kasi Nath)



The computer room at the Data Processing Centre

(Photograph courtesy Registrar General of India)

India has a centuries-old Census tradition. More than 2000 years ago the Arthashastra of Kautilya prescribed the collection of population statistics as a measure of State policy. His census was primarily for the purpose of taxation.

Over the ages man's methods of keeping an account of the population have changed to meet his growing needs. In India the first census on modern lines was conducted as far back as 100 years ago. It was the first attempt to ascertain the size and characteristics of the population in this country through a uniform schedule.

Today the census is no longer the mere counting of heads. It is a gigantic operation covering every household through the 21 States and 9 Union Territories of India. For about three weeks a million enumerators and 2 lakh supervisors are in the field, filling in the answers to a total of ten thousand million basic questions. The result is the most detailed tabulation of the population figures.

This vast fund of knowledge benefits the common man. For, researchers, scholars and Government bodies can study the economic, social and cultural trends of the country at a glance, and plan the nation's multifarious development programmes.

The process of the census begins much before the actual enumeration. One year before the actual census day, an entirely different counting operation is underway, in which every house and household through every village and town is numbered and listed. Notional maps are then prepared marking out each enumerator's field of operation.

In the meantime, a comprehensive questionnaire is compiled. This process takes approximately two years of extensive consultation with the Government, institutions and various organisations. The drafts are pre-tested twice in the field before the final questionnaire is ready for the census.

The questionnaire records every individual's complete biographical data, occupation, religion, education and languages spoken. Besides this, details of housing, trade and industry are also recorded.
A unique feature is that the questionnaire, the schedules and the instructions are printed in 15 national languages of the country.

The latest counting operation of the census commenced on March 10, 1971 and was completed and updated by the end of the month. In each State and Union Territory the figures were checked and the data telegraphed to the Census Commission at the Centre.

Within 10 days, the first provisional figures for the whole of India were released. These figures covered population-size, distribution by sex, the rural-urban breakup and the literacy rate. Then a 20% urban and 10% rural sample of Individual Slips was analysed at the State level. An advanced tabulation of one per cent sample of Individual Slips at national level was also done.

For the first time, computers at six centres are now being used for processing and analysing the national and urban figures. Interestingly, the census is part of the story of the development of the modern computer. The enormity of data collected during the 1890 United States census, and the need to process it in time, led to the development of a tabulating machine—forerunner of today's computers.

In India, the computer has helped bring speed and efficiency to the census. The innumerable tables of cross-classification to be prepared with the help of computers will run into a veritable encyclopaedia of thirty series—the complete biography of a nation.

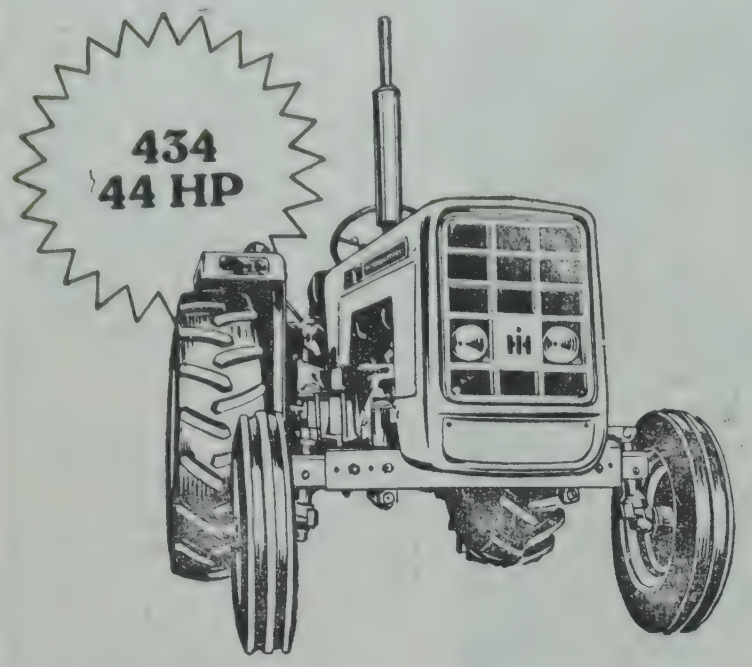
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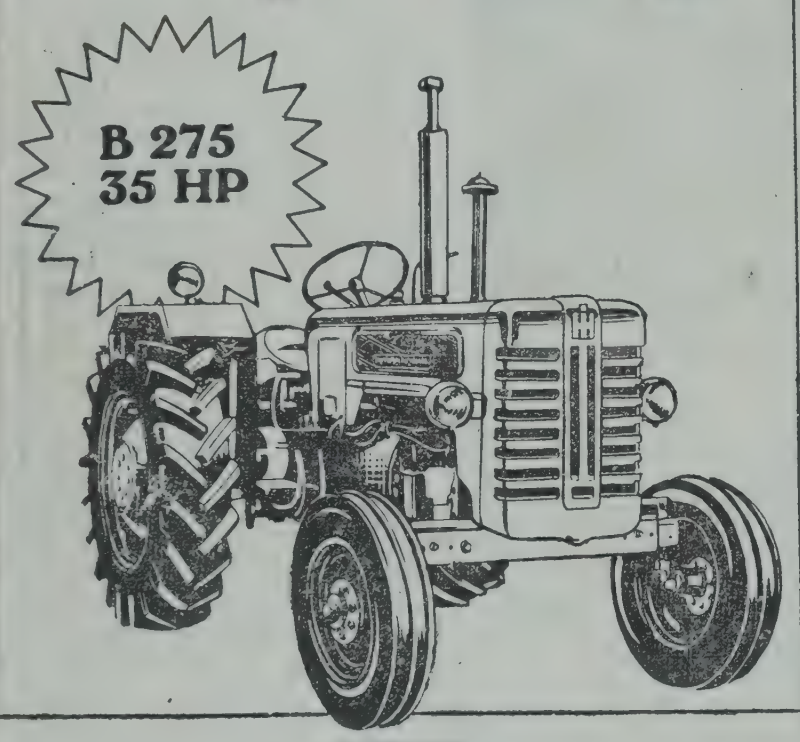
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Table III shows the area covered under HYVP in 1970-71, possible achievements in 1973-74 and tentative targets for 1978-79. It is an accepted fact that whatever increase was achieved in the field of foodgrains it was largely as a result of HYVP. In the field of wheat and bajra the government was expecting over-fulfilment of targets fixed for the end of the fourth five-year Plan. It may, however, be added that in this field too yields were not of the levels expected and this has become a cause for concern. It is all right if the programme is not able to reach the expected area due to certain reasons, but if the programme does not yield required results even in that limited area, in which it is applied, it is a matter of concern.

Lag in rice

Another factor that has dampened the enthusiasm for HYVP is that for a considerable time now the programme has been trailing behind due to unsuitability of hign yielding varieties of rice for growing in kharif season, which is the main rice season. A variety, IR 8, is considered to be most acceptable in most parts of the country, both in kharif and rabi seasons. Jaya is also gaining popularity. But both these varieties have coarse grain and fetch low prices as against the local finer varieties. It has, therefore, to be remembered that HYVP in rice is not as attractive as in wheat. The main difference is that wheat is consumed in the form of flour while rice is consumed in the form of whole grains and is expected to possess a specific form and flavour. Moreover the problem of disease is also more serious in case of rice.

Some of the specific items of agricultural research which need to be taken up urgently in the fifth Plan include stabilisation of yields of high yielding varieties of crops, evolution of such varieties of rice which have superior grain quality, development of high yielding pulses, eradication of diseases and pests and improvement of agricultural machinery.

Administrative overhaul

In this context, it seems that the management of research and its application in such a widespread sector as agriculture needs nothing less than an overhaul of administrative infrastructure. There is no doubt about the scope for the application of research in extension programmes, but the present administrative machinery may not be able to take up this challenge.

It is hoped that the union Ministry of Agriculture will profit from of some the meaningful recommendations of the Agriculture Commission's interim report. In respect of research it has been pointed out that the ICAR should draw up long-term plans of fundamental and applied research in order to identify gaps in our information and assign them for execution to proper scientists. Similarly the Council should evolve a system whereby co-operation and collaboration between agricultural scientists of India and abroad should become a continuing process. Another important recommendation is that a concept of integrated approach should be evolved in respect of research so that teaching, research and extension programme permeate in every discipline. In other words, teaching which is usually followed by research should automatically take its course into extension.

In respect of high yielding varieties of seeds, the Commission has made it clear that the seeds offered to the farmers should actually be of high quality and continuous watch should be kept to maintain quality. It follows from this that whenever yields drop, action should be initiated to establish its causes. It may be added that when the Seed Review Team reported in June 1968 that actual yields from high yielding varieties were declining in some areas, it should have set the state governments thinking how to ensure development of seed industry on right lines.

The task in the field of research before the union Ministry of Agriculture is tremendous and from the present indications it appears that the additional 26 million tonnes expected during the decade 1971-81 from improvement in seeds and agricultural practices may not materialise.

IRRIGATION

The most significant single factor that can provide this country with a steady level of agricultural production, both of foodgrains and cash crops, is freedom from the vagaries of nature. So long as droughts can frustrate the efforts of the agriculturists working on more than 70 per cent the total area under cultivation, this country cannot achieve self-sufficiency in foodgrains in the real sense. With increasing size of population accompanied by improving standard of living of the low income groups, the demand for foodgrains will continue

TABLE III

Area Under High Yielding Varieties

(Million hectares)

Crop	1970-71	1973-74 projected	1978-79 tentative target
Paddy	5.59	10.00	19.00
Wheat	6.48	9.50	11.50
Maize	0.46	0.50	1.00
Jowar	0.80	2.00	3.50
Bajara	2.05	3.00	5.00
Total	15.38	25.00	40.00

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to increase. The country cannot, therefore, feel secure unless more than 50 per cent of the cropped area is assured of perennial irrigation.

This country recorded some measure of success in the field of irrigation during the last 20 years. The area under irrigation has increased from 22.7 million hectares in 1951 to nearly 40 million hectares by the end of 1971. This was achieved as considerable stress was laid on major, medium and minor irrigation projects during the three Plans. This stress continued during the fourth Plan too.

The area under major and meduim irrigation in 1971-72 was around 20.39 million hectares in terms of potential capicity. The minor irrigation schemes such as tubewells, storage tanks, river pumping projects, and small drainage and embankments were able to irrigate an area of around 20 million hectares, bringing the total under major, medium and minor projects to 40 million hectares by 1971-72. The progress in the field of electric pumpsets and tubewells was quite significant in the recent years. For instance the number of pumpsets in operation in 1966-67 were around 650,000 as against nearly 1.64 million in 1970-71.

Unsatisfactory results

It may be pointed out that in some respects the fourth Plan did not show the result it had promised in respect of large and medium irriation schemes. This was partiy because the provisions made for certain projects were not adequate and were not related to the requirements. They were related to 'what could be accommodated in the state Plans'. The problem was further accentuated by the rise in the cost of a number of projects, around 15 per cent. This resulted in a further delay in the completion of the projects. For instance at the time of the formulation of the fourth Plan the spill-over cost of the continuing major and medium projects was estimated at Rs 1,260 crores and this estimate had to be revised to Rs 1,730 crores in the mid-term appraisal of the fourth Plan.

In this context the Irrigation Commission has strongly recommended that projects should be constructed at an optimum pace determined by technical considerations and that adequate funds should be provided for the purpose. Further, if a scheme was considered too large for timely financing from the state's own resources, the union government, at the request of the state government concered might make special financial arrangements.

It is hoped that the union government would take special care in providing sufficient funds for the completion of the irrigation projects which are in their advanced stages, especially in, areas where alternative means of irrigation are not possible.

During the remaining two years of the fourth Plan and in the fifth Plan, the state governments have been asked to concentrate on completing all the remaining projects in hand, which were programmed for completion during the fourth Plan period. Moreever, the state governments have been asked to ensure that all new projects taken up during the fifth Plan costing up to Rs 30 crores each are completed within five years and projects costing more than that should be completed within ten years.

In the light of this broad policy, a tentative target of six-million hectares was assumed to materialise during thc fifth Plan period from major and medium projects. In other words, the area under major and minor irrigation is expected to be around 25 million hectares in terms of actual utilisation. Minor irrigation schemes are likely to get special attention and the Planning Commission has visualised a big expansion on this account. The area to be brought under minor irrigation schemes is expected

TABLE IV

Development of Irrigation

('000 hectares)

State	Total cropped area in 1968-69.	Ultimate irrigation potential			Development upto 1970-71			Development on completion of all major and medium projects under construction.
		Major and medium	Minor	Total	Major and medium	Minor	Total	
1	2	3	4	5	6	7	8	9
Andhra Pradesh	12,456	6,475	3,846	10,321	2,539	1,690	4,229	4,995
Assam	2,962**	971	1,214	2,185	98	670	768	826
Bihar	10,898	4,290	3,644	7,934	1,588	1,778	3,366	5,266
Gujarat	10,420	2,145	1,701	3,846	513	907	1,420	2,350
Haryana	4,054	*	850	850	937	48†	985	1,428
Himachal Pradesh	899	N.A.	—	—	—	1†	1	1
Jammu & Kashmir	815	98	466	564	65	239	304	327
Kerala	2,853	624	911	1,535	352	262	614	870
Nagaland	49	Not yet assessed	40	40	—	8	8	8
Madhya Pradesh	20,001	5,625	2,429	8,054	942	691	1,633	2,581
Maharashtra	19,367	2,347	2,227	4,574	689	1,258	1,947	2,887
Manipur	188	Not yet assessed	—	—	—	—	—	—
Meghalaya	—	—	—	—	—	—	—	—
Mysore	10,555	1,781	1,620	3,401	816	700	1,516	2.328
Orissa	7,446	2,428	1,620	4,048	1,172	1,018	2,190	2,553
Punjab	5,287	4,140	2,024	6,164	2,361	1,710	4,071	4,476
Rajasthan	14,257	3,157	1,822	4,979	11,18	1,442	2,560	3,036
Tamil Nadu	6,914	1,561	2,126	3,687	1,363	1,694	3,057	3,284
Tripura	335	—	—	—	—	—	—	—
Uttar Pradesh	22,360	7,608	7,490	15,098	3,149	4,747	7,896	9,357
West Bengal	6,653	2,308	2,025	4,333	1,175	916	2,091	2,365
Union Territories	391	—	385	385	—	313	313	313
All India	159,160	45,557	36,440	81,997	18,877	20,092	38,969	49,271

*Included under Punjab.

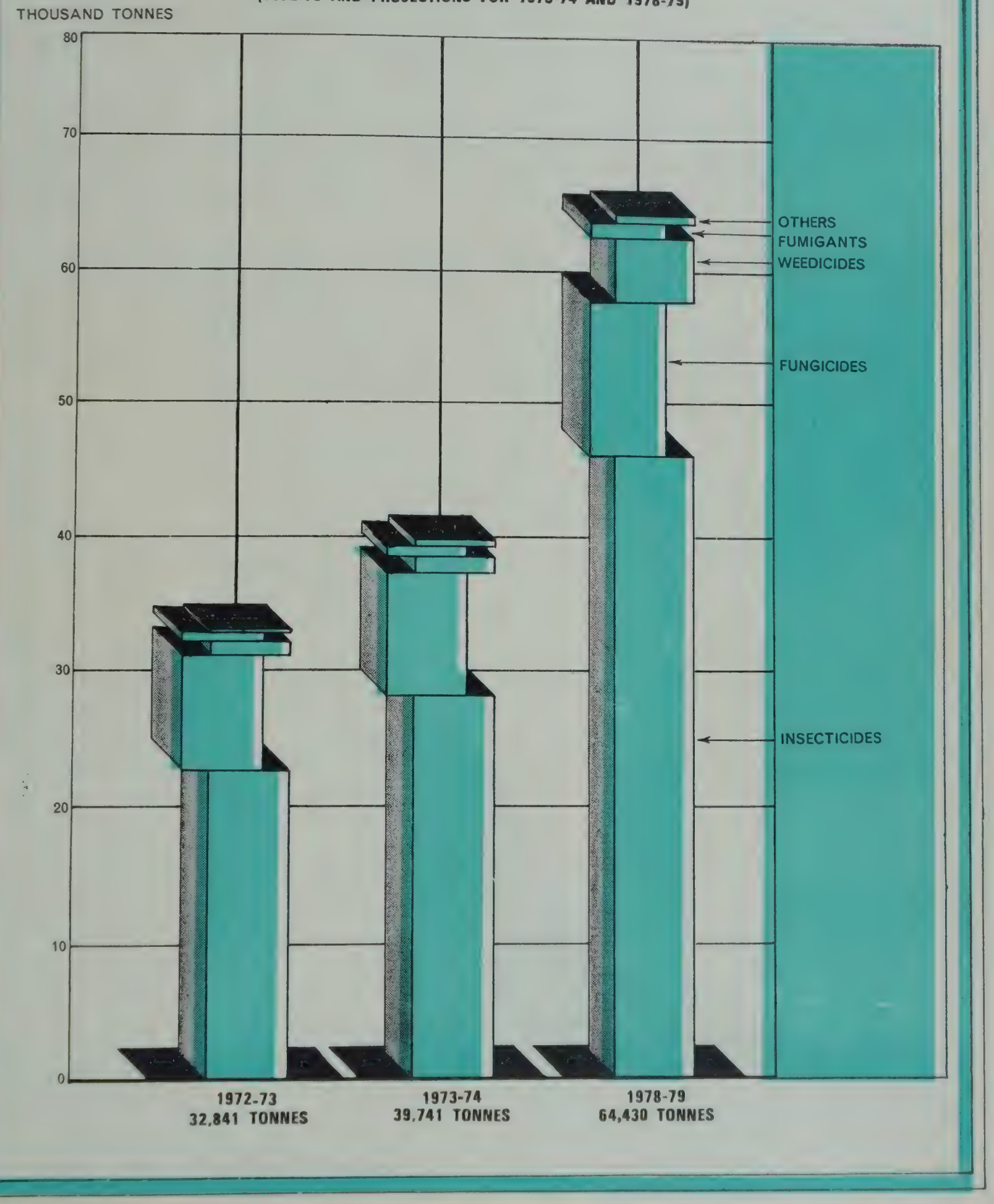
**The data of Assam includes that of Meghalaya also.

† For fourth Plan only

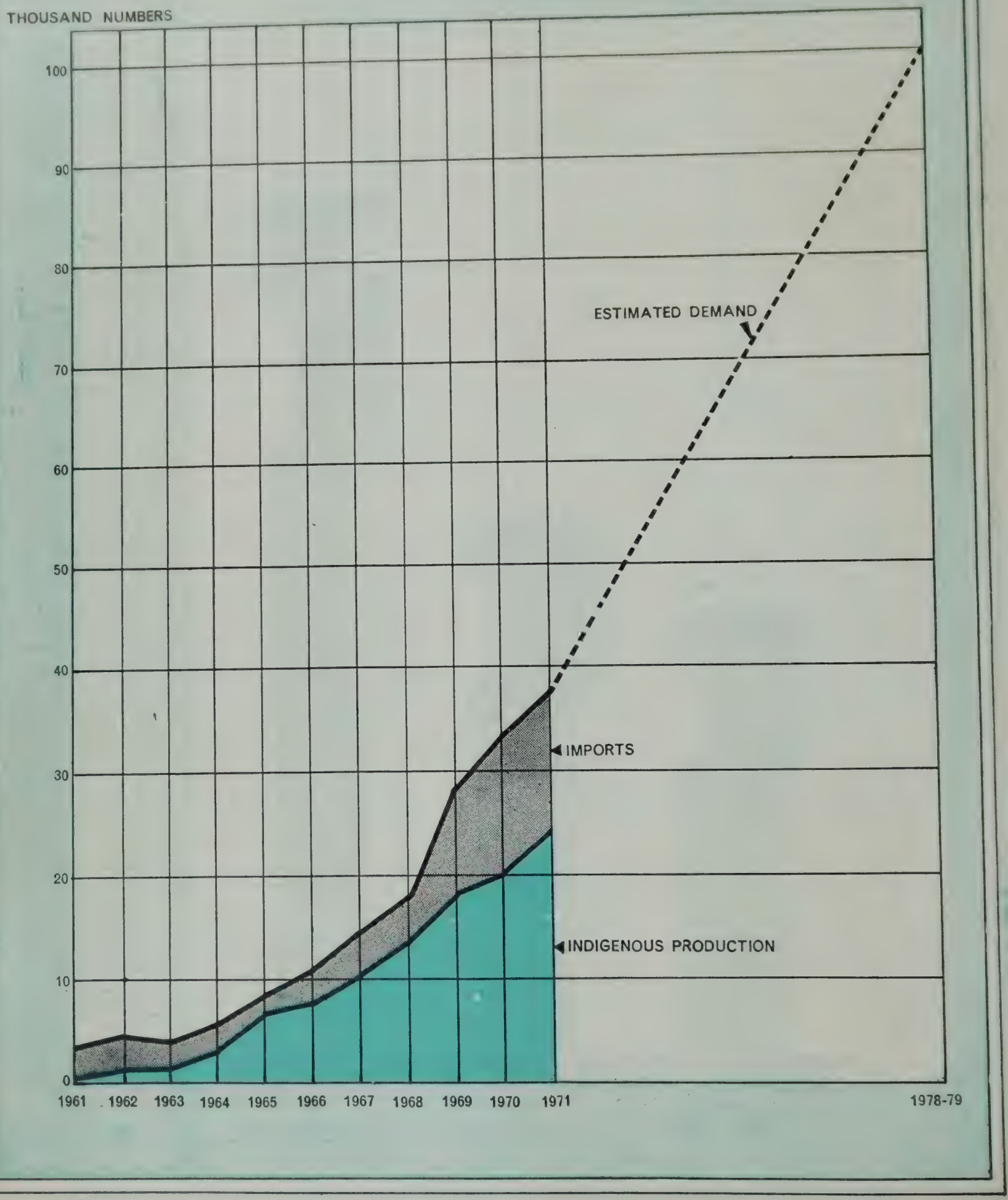
Source : The union Ministry of Irrigation & Power.

CONSUMPTION OF PESTICIDES

(1972-73 AND PROJECTIONS FOR 1973-74 AND 1978-79)



DEMAND FOR TRACTORS IN 1978-79



to be around 31 million hectares by 1978-79.

A close look at the programme for 1978-79 reveals some serious lacunae, which must be adequately filled by the government if it means to avoid frustration in the implementation of this vital programme. In the first instance, as stated above, the question of costs should be given added importance. Several state governments tend to deflate the proposed costs of large and medium projects so that they could be included in their respective plans.

Later on they hope for the funds to come even for the revised costs. The union government should take a little more detailed look at the proposed costs of these projects.

Low utilisation

Secondly, the extent of utilisation, which has been placed at 88 per cent at the national level, conceals fairly low level of utilisation in certain areas, which this country cannot afford. For instance, the lag in utilisation was substantial in Kosi Eastern Canal and Rajpur Canal of Kosi Project. In these two canals, the lag was to this extent of 500,000 hectares. In the Chambal Project area in Madhya Pradesh also there was a shortfall of 160.000 hectares in utilisation. The reasons given include heavy rainfall on account of which farmers who had the option to take water or not, did not take irrigation water in years of good rainfall; non-completion of water courses; and heavy silt deposition or growth of weeds in the canals.

In the sphere of minor irrigation, considerable reliance is placed on the programme for tubewells. The recent shortages experienced in power generation are likely to affect this programme adversely and it is quite possible that little progress would be made in the field of rural electrification. Taking into account all the above factors, it can be realised that effective irrigation might fall considerably short of the estimated area of 56 million hectares by 1978-79 because the timetable for various projects would have to be revised.

It may, however, be added that a long-term assessment, not bound by timetable, has indicated that it is possible to bring 45.6 million hectares under major and medium irrigation and 36.4 million hectares under minor projects, thus providing irrigation facilities to about 50 per cent of the cropped area. Table (IV), page

Further investigations are in progress to explore additional possibilities of irrigation. In particular, the construction of a national water grid to transfer water from water surplus areas to water scarce areas would add significantly to the possibilities of irrigation of additional area in the country. The union Minister for Irrigation pointed out recently that field investigations for the proposed national water grid in general and Ganga-Cauvery link in particular, are expected to be taken up soon. Detailed investigations and studies are likely to take anything between five and 10 years to be completed. The government propose to bring forward legislation for declaring water as a national resource. It is imperative to bring the national water grid under federal control. The proposal was endorsed by the state irrigation and power ministers' conference at Srinagar and also by the UN team of experts who studied the project of a national water grid.

PESTICIDES

The planning Commission recognised that 'an important programme in respect of which the fourth Plan is showing significant underfulfilment is that of plant protection.' The Plan had visualised coverage of 80 million hectares under plant protection but even the optimistic estimates for 1973-74 did not go beyond 60 million hectares. It has also been realised that a major impact of the shortfall would be in the sphere of chemicals used for seed treatment. For 1971-72, the Pesticides Association of India has estimated an area of 37 million hectares under plant protection as against the Planning Commission's estimates of 51 million hectares (Table V).

The set back to the programme of pesticides was due to the droughts in 1965-66 and 1966 67. Consumption of pesticides, however, started looking up in 1968-69, and by 1971-72 the producers of pesticides were not prepared for meeting the demand which gathered momentum.

Total production

In 1971-72 this country was producting around 40 products with a total capacity of around 41,000 tonnes, Actual production in that year, however, was 26,000 tonnes showing a level of utilisation of 62 per cent.

It may be pointed out that the list of new products has been increasing and will continue to do so, but it seems that dependence on imports is still significant. For instance in 1971-72, nearly 43 per cent of total sales of pesticides in the country were through imports, which accounted for Rs 18.3 crores out of total sale value of 42.8 crores.

Import substitution

In view of the high level of imports of pesticides, the National Committee on Science and Technology identified some major pesticides for development to bring about import substitution in this industry. These are given in Table VI.

In fact some efforts have already been made at import substitution. For instance, larger use of DDT intended primarily for application on cash crops and pulses as product mix, is proposed to be used in combination with other items such as Metasystox, Methyl Parathion, Lindane (Gamma BHC), Toxaphene etc. It may be added that the safer substitute product Methoxychlor (not yet manufactured in India) cannot control some

TABLE V

Area covered under Plant Protection (estimates)

(Million hectares)

Years	Ministry of Agri.	Planning Commission	Pesticides Association
1968-69	40.00	40.00	23.40
1969-70	48.00	34.61	24.60
1970-71	52.00	43.20	26.00
1971-72	58.00	50.76	37.05
1972-73 (target)	72.00	NA	49.06
1973-74 (target)	80.00	70.00	62.09
1978-79 (target)	NA	NA	77.62

TABLE VI

Import Substitution in Pesticides

Insecticides:	Endosulfan, Dieldrin, Endrin, Chlordane, Heptachlor, Carbaryl, Lindane including High Gamma BHC, Carbofuran and related compounds, Temik, Monocrophos, Methoxychlor and Iodofenphos.
Fungicides:	Benlate, Hinosan, Penta-chloronitrobenzene, Kasugomycene and vilazax.
Herbicides:	Paraquat
Growth Regulators:	Cycocil and Ethrel
Nematocides:	DBCP

of the major agricultural pests.

The pesticides association has advocated that it would be in the public interest to encourage the indigenous production of pesticides which are less toxic and more selective in action, to minimise health hazards and pollution of environment. Moreover in the interest of technological improvement, the introduction of new and latest pesticides based on current toxicological data and information should be encouraged which currently were not being produced in this country.

The demand during the next few years, say up to 1978-79, is conditioned by many factors,

TABLE VII

Projected Consumption of Pesticides for Agriculture—Fifth Plan

(in tonnes)

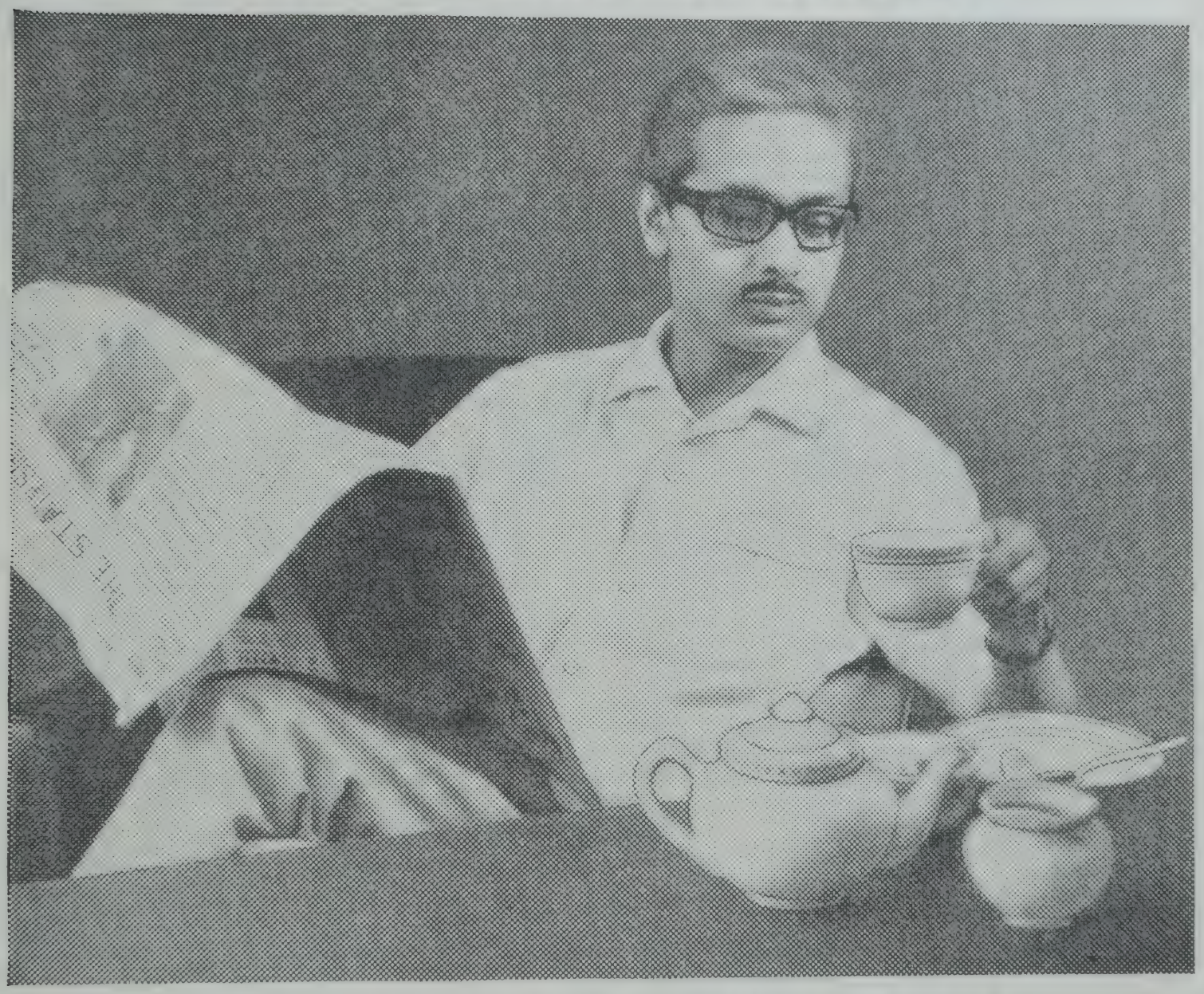
Product	1972-73 (Estimated Actuals)	1973-74 (Anticipated)	1978-79 (Projections)
Insecticides			
BHC	14,500	15,000 (including high Gamma BHC & Lindane)	20,000
DDT	1,500	3,000	5,000
Endrin	800	600	80
Aldrin/Dieldrin/Heptachlor	200	220	450
Chlordane	80	90	140
Carbaryl	2,000	4,500	8,500
Endosulfan	400	600	1,800
Toxaphene	350	500	900
Ethyl Parathion	440	950	1,800
Methyl Parathion	510		
Malathion	1,000	1,200	2,400
Dimethoate	220	270	500
Metasystox	55	70	300
Fenitrothion	85	115	400
Phosphamidon	300	350	500
DDVP	65	80	300
Monocrotophos	100	200	400
Granular Systemics			
Phorate & Disulfoton	75	110	220
Formothion/Thiometon	60	120	250
Misc. & new Insecticides* etc.	35	150	2,000
	22,775	28,125	45,940
Fungicides			
Copper sulphate	3,500	3,500	3,500
Copper oxychloride	650	650	650
Zineb & Manocozeb	850	1,000	2,000
Ziram	60	100	280
Thiram	50	80	250
Nickel Chloride	50	70	150
Sulphur Wettable	300	600	1,000
Sulphur Dust†	3,000	3,000	3,500
Organo mercurials (100% Hg)	11	11	15
Misc. & new Products			
Hinosan, Vitavax/Plantavax, Benlate, Organic Tin Compounds, PCNB, Captafol, Thiophanate, Fentiazone etc.	30	60	350
Total	8,511	19,701	11,695

Product	1972-73 (Estimated (Actuals)	1973-74 (Anticipated)	1978-79 (Projections)
Antibiotics			
Aureofungin & Streptocycline	5	5	5
Acaricides			
Carbophenothion, Tedion, Morocide, Morestan, Kelthane, Fundal, Omite, etc.	50	55	90
Weedicides			
2, 4-D/MCPA	270	350	1,000
Paraquat	70	170	500
Dalapon	220	350	800
Triallate, Alachlor, Butachlor, Rogue, Propanil	75	200	1,000
MSMA/DSMA	50	150	800
Nitrofen (Tok)	20	40	100
New & Misc.Weedicides			
Substituted Ureas, Triazines, Trifluralin, etc.	50	150	800
Total	755	1,410	5,000
Plant Growth Regulants			
Ethephone, Cycocel, Alar, Planofix, Maleic Hydrazide	25	35	200
Gibberallic Acid	15 Kg.	20 Kg	50 Kg
Total	25	35	200
Nematocides			
Matham N. Sodium, Terracur, DBCP, DD/Telone, V.C. 13, Mocap, etc.	30	40	100
Rodenticides			
Zinc Phosphide, Warfarin, Coumafuryl, Cyno dust	170	200	300
Fumigants			
Aluminium Phosphide	300	500	600
Methyl bromide	80	100	200
Ethylene dibromide	150	200	300
Total	530	800	1,100
Grand Total	32,841	3,741	64,430

*Aldicarb, Azinephos (Ethyl & Methyl), Carbofuran, Cytrolane, Chlorfenvinphos, Diazinon, Dicrotophos, EPN, Phenthioate, Phosalone, Phosvel, Quinalphos, Vamidothion, Nicotine Sulphate, Pyrethrins, Thuricide, Cartap (Padan), etc.

†400 tonnes in each year is for seed treatment.

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such as the increased adoption of HYV seeds in foodgrains, especially rice, success of schemes for increased productivity in cotton, jute and oilseeds. Moreover, the government's policy towards import substitution will also have considerable impact on the final demand for pesticides by making various pesticides available.

The Pesticides Association of India had estimated the consumption of different varieties of pesticides for 1973-74 and 1978-79. These estimates are detailed in Table VII. A significant feature of these estimates is that herbicides are likely to assume increased importance in 1978 -79 than what this class of products receives currently. The growth regulants will also receive their due place in the growth mechanism of the crops.

Market potential

The market potential for 1978-79 is placed at Rs 183.8 crores as compared to Rs 42.8 crores in 1971-72. In other words, the size of the market will grow more than four times the 1971-72 level in the next seven years. The market is most likely to be in those areas which will be treated with HYV seeds, water and fertilizers.

These estimates of demand apper reasonable because the consumption of pesticides has not moved in line with other inputs, as has been experienced by some other countries. For instance the ratio of fertilisers and pesticides in some developing countries is 3:1 while in this country it is 9:1, showing thereby considerable scope for pesticides. Another factor that will accelerate the consumption of pesticides is the proposed expansion in the areas of cotton, oil seeds, rice and pulses. These crops are considered more prone to pests and diseases, thereby increasing the demand for pesticides.

It has been pointed out that agricultural extension service has sufficient staff to reach the farmers but they do not receive sufficient education on the value of pesticides. Apart from reaching through the extension department, education should also be imparted by other news media regarding the timings of use of pesticides to make them more effective. The union and state governments should also help in the aerial operations and make spraying equipment available at the village level to assure timely pest control operations. Similarly, credit facilities should be made available for the purchase of equipment.

In spite of the efforts that are likely to be made by the industry to achieve increased import substitution the estimates of foreign exchange prepared by the Pesticides Association make rather depressing reading. It has been estimated that in 1978-79 import of pesticides might involve a foreign exchange of Rs 22 crores which would be around the present level.

The estimate of foreign exchange required for the import of pesticides without proposed import substitution reveals a huge figure of around Rs 70 crores in 1978-79. In other words the possibility of spending foreign exchange for the import of pesticides in 1978-79 varies widely from Rs 22 crores to Rs 70 crores, depending upon the performance of import substitution programme. This, in a way, highlights the possibility of strain on foreign exchange resources or, alternatively, a possibilities of serious shortages.

TRACTORS

THE DEMAND for tractors has increased in the recent years in a big way so that the estimates of the working group of the fourth five-year Plan on agricultural machinery and implements had to be revised substantially. Table VIII shows that demand was expected to double between 1966-67 and 1970-71 from 20,000 to 40,000 tractors. The revised estimates of demand quoted by the Estimates Committee of the Lok Sabha stepped up this figure to 70,000 for 1970-71. This dramatic revision was caused by factors such as the introduction of multiple cropping, shortage of labour during critical periods of agricultural operations, remunerative returns for agricultural produce, and technological changes taking place in the rural areas. The use of improved varieties of seeds, fertilizers, other intensive farming practices leading to higher returns on farm produce increased the capacity of the farmers to invest and, therefore, they were inclined to take to tractor cultivation and further increase the number of crops grown in a year. It has also been established that mechanization economised on the cost of cultivation. A sample survey of National Productivity Council in 1966-67 revealed that the average per acre cost of cultivation on mechanised farms was Rs 403 as against Rs 512 on non-mechanised farms.

While demand for tractors increased rapidly the government considered essential to create additional capacity and accordingly new units were allowed to be established. The latest position regarding licensed capacities of agricultural tractors is given in Table IX.

Table X given the progress of the six units in production from 1965-66 to 1971-72, with year of establishment and the present extent of indigenisation (in percentage terms along 1971-72 outputs).

Taking in view the demand of tractors in India, the government delicensed the industry in the year 1969 and the new firms that came in the field are given in Table XI

Although government went on licensing fresh capacity the actual realisation of additional production was rather low. Table XII shows the manner in which large number of tractors were imported every year. It shows the number of tractors manufactured in India in the

TABLE VIII

Demand for Tractors of Various HP

HP Range	1966-67	1967-68	1968-69	1969-70	1970-71
12-20 DBHP	6,000	7,500	9,000	10,500	12,500
21-35 DBHP	12,000	15,000	18,000	21,000	23,000
35 DSHP and above	2,000	2,500	3,000	3,500	5,000
Total	20,000	25,000	30,000	35,000	40,500

TABLE IX

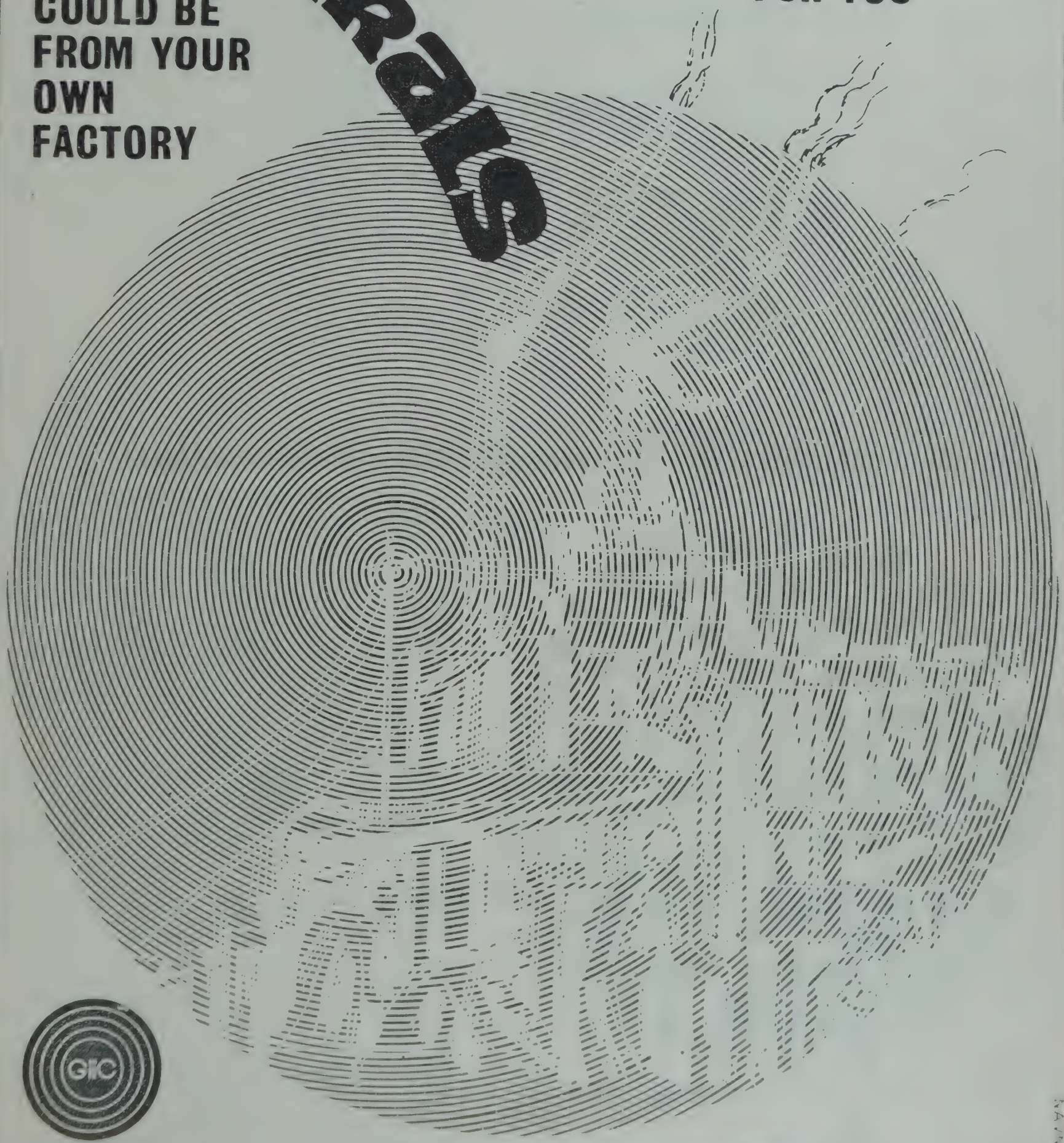
Licensed Capacity of Agricultural Tractors

Name of tractor	HP range of tractor	Revised licenced capacity per annum	Letter of intent issued for additional capacity
1. Eicher	20—30	2,000	—
2. Escorts	25—35	7,000	—
3. Hindustan	(a) 35	2,000	—
	(b) 50	5,000	—
4. International	35	5,500	6,500
5. Massey-Ferguson	35	7,000	—
6. Zetor 2001 (HMT)			12.000
		26,500	18,500

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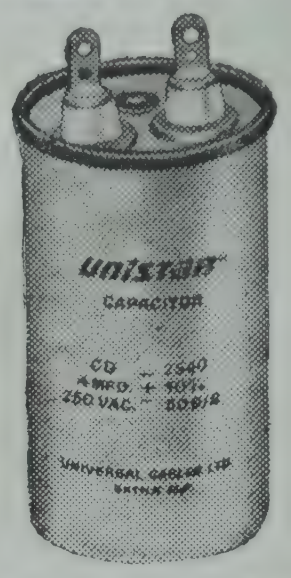


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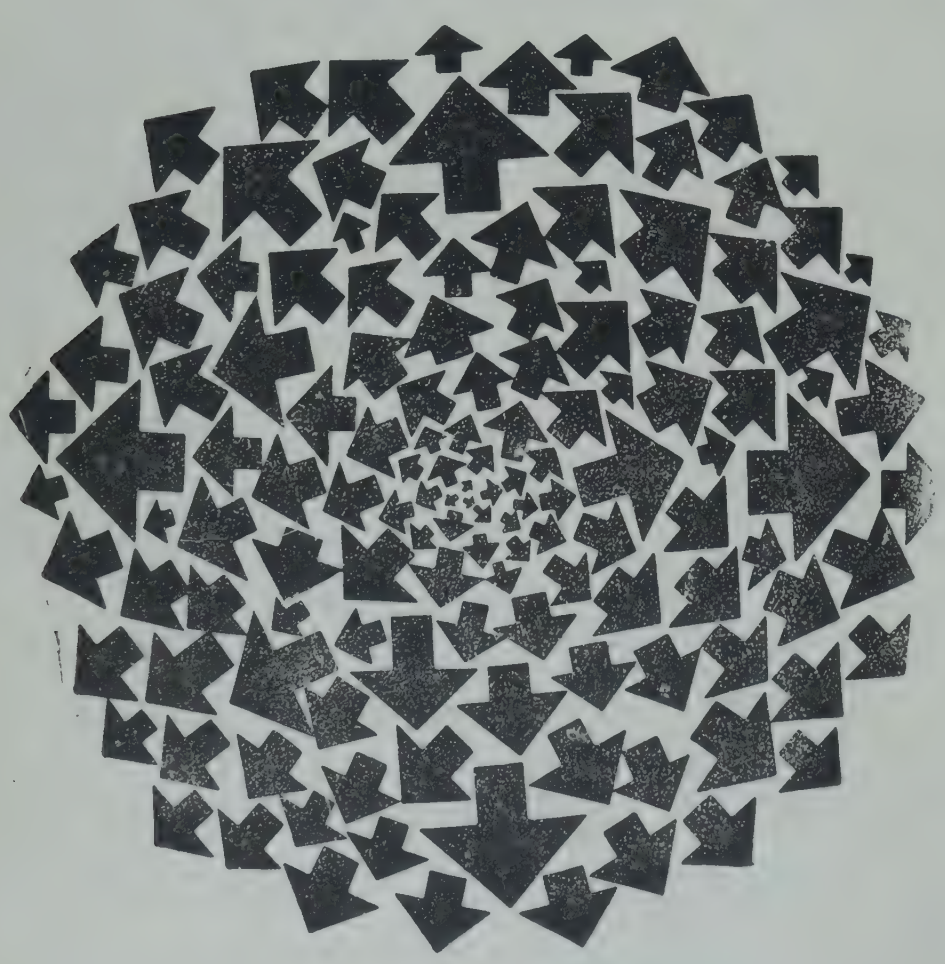
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range of 35-50 H.P. and small H.P. tractors imported from rupee payment countries.

It may be noted that actual demand for tractors has fluctuated considerably during the last two or three years so that while at times long waiting was accompanied by registration, there were times when the manufacturers

TABLE X

Percentage of Indigenous Parts in Tractors

Name of Tractor	1965-66	1968-69	1971-72
1. Eicher (1961)	123	346	789 (82)
2. Escorts (1966)	1,258	5,625	2,278 (88)
3. Hindustan (1960)	1,267	2,219	285 (85)
4. International (1967)	—	4,001	9,006 (80)
5. Massey-Ferguson (1961)	3,066	3,275	3,306 (88)
6. Ford- 3000 (1971)	—	—	1,359 (51)

TABLE XI

New Firms in the Field

Kirloskar Tractors Ltd (Deutz-West Germany)	25—75 h.p.	10,000
Harsha Tractors (T-25 Russian)	20 h.p.	10,000
Perfect Tractors Ltd (Hanomag West Germany)	32 h.p.	5,000
United Auto Tractors (P) Ltd (U-650 M Rumanian)	65 h.p.	6,000
Steyr India Ltd (Steyr Austria)	44 h.p.	12,000
Premier Irrigation Equipment (P) Limited, Bombay (David Brown)	55 h.p.	5,000
Kamal Tractor & Engineering Enterprise, Hyderabad (Guldner)	12-25—35-45 h.p.	10,000
Bharat Industries & Commercial Corporation Ltd, Calcutta (UE 45)	45 h.p.	10,000
Automobile Products of India Ltd., Bombay (MMC 4/25)	20-25 h.p.	12,000
Rajasthan Agro Industries Corporation Ltd, Jaipur (Renault)	45 h.p.	10,000
Punjab State Industrial Corporation Ltd, Chandigarh (Indigenous)	35 h.p.	10,000
Byford (P) Ltd, New Delhi (Shibaura)	37 h.p.	6,000
Larsen Toubro Ltd, Bombay (John Deere)	52-82 h.p.	6,000
Burn & Co. Ltd, Calcutta, (Indigenous)	10—16 h.p.	4,800
Dhanda Engineering Ltd, Ballabgarh, (Indigenous)	25-50 h.p.	10,000
Raja Bahadeer Mills (Indigenous)		10,000
Hindustan Machine Tools Ltd, Bangalore, (Zetor 2011/2511)	20 h.p.	12,000

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complained of large unsold stocks. The government did take measures to encourage the manufacturers by an upward revision of prices of tractors, but this move could not have encouraged demand in the face of increasing stocks.

It may be pointed out that two main factors were responsible for the unsteady demand for tractors during the last few years. In the first instance the talk about ceiling on land has discouraged the farmers who wanted to buy large tractors. A farmer cannot qualify even for credit facility by the land mortgage bank and the commercial bank with a small farm. The price of a 35 HP tractor in India ranges from Rs 30,000 to Rs 35,000 without implements. If a farmer buys only a few implements for preparing his land and sowing, he will have to spend another Rs 8,000. If he decides to buy a trailer which is very essential in his field work, he has further to invest Rs 7,000 to Rs 8,000. This means that the total investment of bare necessities of farm mechanization come approximately to Rs 50,000. It is doubtful that a farmer with 18 acres holding will be able to pay for the loan he raises for purchase of a tractor and other inputs such as fertilizers, irrigation pump, high yielding varieties of seeds, pesticides, etc.

The union ministry has still to receive a report from the National Council of Applied Economic Research regarding the demand for tractors and in the meanwhile it would be possible to vaguely estimate the fresh demand for tractors by 1978-79. It may be pointed out that the progress of the government's programme to set up agricultural machinery hiring centres will have considerable impact on demand. Already 130 such centres have been set up and measures are being taken to establish some more.

In order to provide self-employment to agricultural engineers and graduates, the government has also formulated a scheme to establish agro service centres, which also is being implemented and 95 such centres have been set up. These machinery hiring centres are likely to be equipped with at least ten tractors of various sizes. If the government is able to establish around 2,000 centres all over the country it would have created an overall demand of around 20,000 tractors. It may be added that demand for large tractors from individual agriculturists is likely to be reduced because the land ceilings have reduced the number of fresh buyers. Moreover, irrigated area is not going to expand very rapidly up to 1978-79. The number of farmers with medium holdings of around 15 to 20 acres will increase after the introduction of ceilings, but they will the potential buyers of small tractors in the range of 10 20 HP in the price range Rs 10,000 to Rs 20,000. Th will help manufacturers wh have been licensed to manufacture small tractors.

Taking into consideratio all these factors, it seems th a firm demand for 100,00 tractors by the end of 1978-7 should be considered a prop estimate.

It may be pointed out th considerable credit facili will have to be made availab to agriculturists who want buy inputs even if they are n able to offer equivalent su ties apart from the mortga of tractors. Secondly t establishment of agro-servi centres and tractor hiri centres will also depend c credit finance. A steady gro th of credit therefore, see to be an essential eleme that will stabilise the dema for tractors and encoura the manufacturers to step u their capacity. Otherwise, t era of uncertain demand a shortages will continue up 1978-79.

—Hardev Sing

TABLE XII

Number of Tractors Manufactured India in 35-50 H.P. range

Year	Indigenous production	Year	Impor
1961	583	1961-62	2,9
1962	1,627	1962-63	2,6
1963	1,610	1963-64	2,3
1964	3,172	1964-65	2,3
1965	6,319	1965-66	1,9
1966	7,618	1966-67	2,5
1967	10,526	1967-68	4,0
1968	13,799	1968-69	4,2
1969	18,093	1969-70	10,4
1970	19,931	1970-71	13,3
1971	24,244	1971-72	

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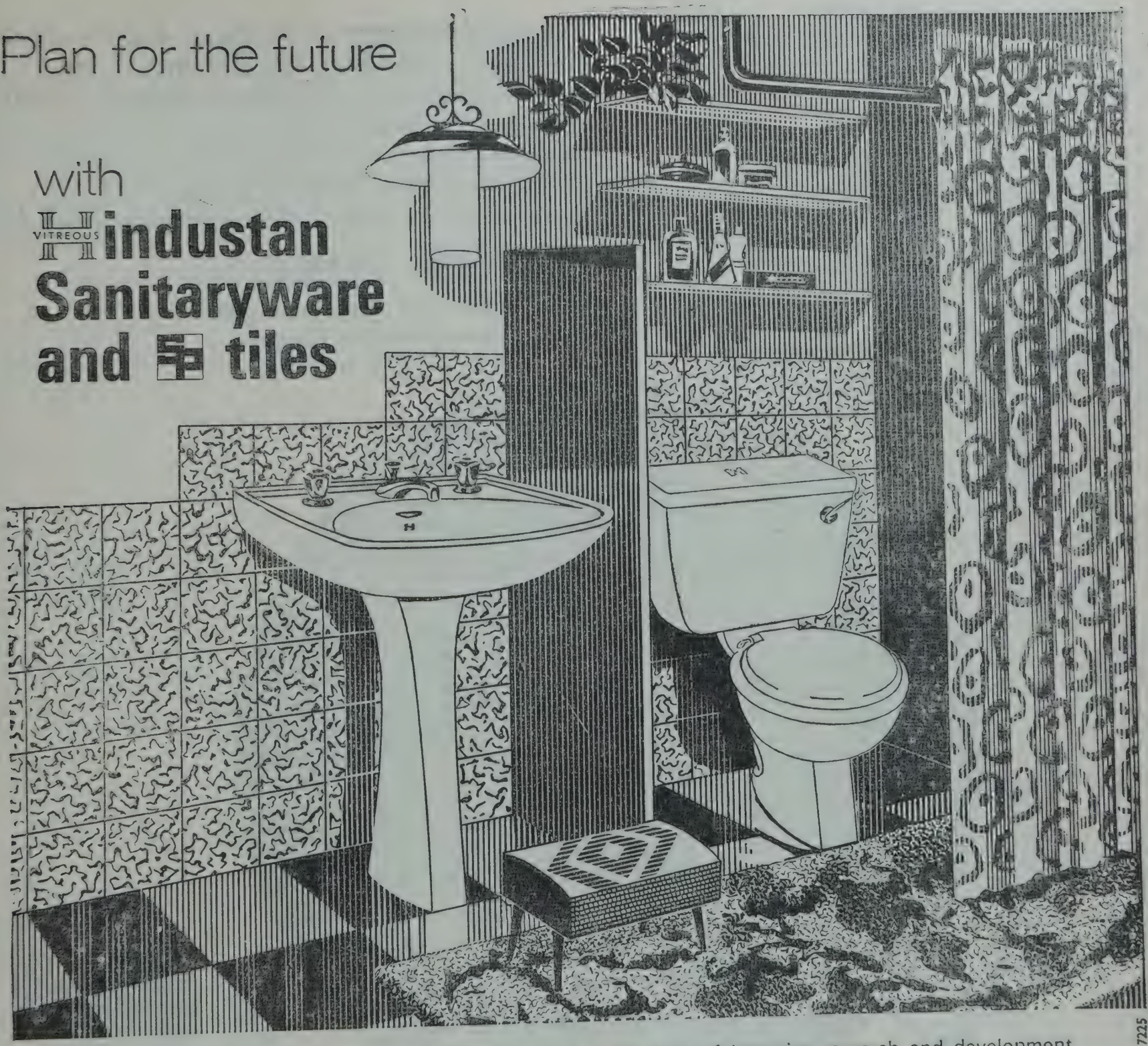
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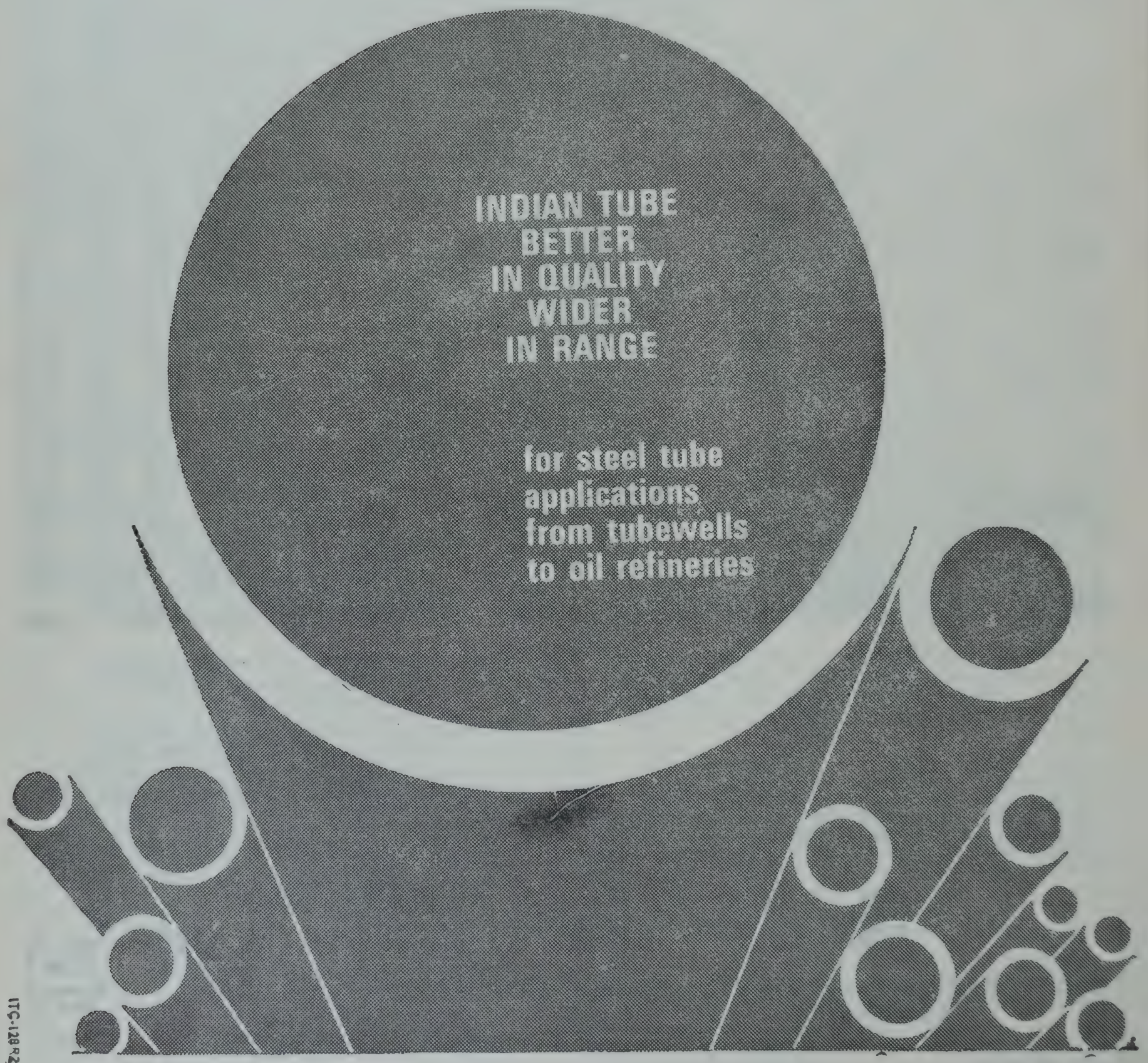
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Indian Economy : 1970-1980

IN THE following statistical tables an assessment is made of the gaps between demand and supply as well as projections up to 1980 for such sectors of the economy as population, national income, agriculture, industry, power, transport and education.

Population

Population of India (State-wise): 1976-81

States/Union Territory	1976*			1981*		
	Males	Females	Total	Males	Females	Total
	(Figures in thousands)					
India	313,275	291,725	605,000	340,465	316,864	657,329
Andhra Pradesh	24,152	23,442	47,594	25,872	25,005	50,877
Assam	8,996	8,201	17,197	10,137	9,320	19,457
Bihar	31,509	29,952	61,461	33,804	31,995	65,799
Gujarat	15,524	14,510	30,034	17,160	16,035	33,195
Haryana	5,898	5,183	11,081	6,394	5,635	12, 029
Himachal Pradesh	1,829	1,786	3,615	1,924	1,888	3,812
Jammu & Kashmir	2,703	2,383	5,086	2,957	2,630	5,587
Kerala	11,830	11,907	23,737	12,906	12,861	25,767
Madhya Pradesh	24,120	22,687	46,807	26,741	25,122	51,863
Maharashtra	28,935	26,955	55,890	31,632	29,434	61,066
Mysore	16,482	15,732	32,214	17,929	17,041	34,970
Nagaland	294	259	553	313	279	592
Orissa	12,217	12,004	24,221	13,456	13,166	26,622
Punjab	7,874	6,901	14,775	8,568	7,537	16,105
Rajasthan	15,038	13,724	28,762	16,506	15,046	31,552
Tamil Nadu	22,870	22,242	45,112	24,489	23,693	48,182
Uttar Pradesh	50,802	44,992	95,793	53,776	47,781	101,557
West Bengal	26,076	23,486	49,562	29,016	26,331	55,347
Manipur	597	587	1,184	646	639	1,285
Meghalaya	557	530	1,087	603	577	1,180
Tripura	887	834	1,721	961	907	1,868
Delhi	2,790	2,236	5,026	3,271	2,645	5,916
	(Figures in full)					
A & N Islands	77,632	49,818	127,450	84,116	54,238	138,354
Arunachal Pradesh	258,405	233,664	492,069	279,964	254,204	534,168
Chandigarh	161,919	120,688	282,607	175,428	131,357	306,785
Dadra & Nagar Haveli	41,034	40,977	82,011	44,458	44,570	89,028
Goa, Daman & Diu	476,885	470,681	947,566	516,671	511,962	1028,633
LM & A Islands	17,745	17,719	35,464	19,225	19,274	38,499
Pondicherry	261,732	259,152	520,884	283,568	281,880	565,448

*As on 1st March.

Estimates of Population By Age and Sex : 1973-75

(In thousands)

Age-group	1973			1974			1975		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
0— 4	43,877	41,498	85,375	44,136	41,762	85,898	44,396	42,026	86,422
5— 9	39,451	36,900	76,351	40,031	37,431	77,462	40,614	37,965	78,579
10—14	35,443	33,545	68,988	36,202	34,072	70,274	36,966	34,602	71,568
15—19	30,442	29,048	59,490	31,431	29,973	61,404	32,421	30,907	63,328
20—24	25,809	24,349	50,158	26,477	25,043	51,520	27,148	25,743	52,891
25—29	22,121	20,601	42,722	22,677	21,125	43,802	23,235	21,656	44,891
30—34	19,172	17,785	36,957	19,578	18,135	37,713	19,987	18,488	38,475
35—39	16,931	15,635	32,566	17,209	15,897	33,106	17,490	16,158	33,648
40—44	14,898	13,547	28,445	15,181	13,856	29,037	15,465	14,168	29,633
45—49	12,679	11,239	23,918	12,997	11,593	24,590	13,317	11,947	25,264
50—54	10,407	9,074	19,481	10,691	9,345	20,036	10,976	9,620	20,596
55—59	8,269	7,222	15,491	8,501	7,428	15,929	8,733	7,637	16,370
60—64	6,235	5,521	11,756	6,434	5,696	12,130	6,635	5,871	12,506
65—69	4,343	3,947	8,290	4,495	4,076	8,571	4,650	4,204	8,854
70 and above	4,795	4,888	9,683	4,983	5,021	10,004	5,172	5,153	10,325
Total	294,872	274,799	569,671	301,023	280,453	581,476	307,205	286,145	593,350

As on First of March

Estimates of Population By Age and Sex : 1976-78

(In thousands)

Age-group	1976			1977			1978		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
0— 4	44,657	42,294	86,951	43,928	41,592	85,520	43,224	40,917	84,141
5— 9	41,189	38,491	79,680	41,515	38,824	80,339	41,838	39,153	80,991
10—14	37,716	35,123	72,839	38,335	35,696	74,031	38,943	36,259	75,202
15—19	33,392	31,816	65,208	34,195	32,381	66,576	34,979	32,936	67,915
20—24	27,808	26,425	54,233	28,841	27,394	56,235	29,849	28,342	58,191
25—29	23,783	22,173	45,956	24,486	22,903	47,389	25,174	23,617	48,791
30—34	20,388	18,835	39,223	20,973	19,391	40,364	21,547	19,933	41,480
35—39	17,766	16,416	34,182	18,197	16,792	34,989	18,620	17,159	35,779
40—44	15,744	14,473	30,217	16,044	14,754	30,798	16,338	15,029	31,367
45—49	13,631	12,293	25,924	13,932	12,620	26,552	14,228	12,938	27,166
50—54	11,255	9,888	21,143	11,586	10,252	21,838	11,910	10,606	22,516
55—59	8,960	7,842	16,802	9,249	8,120	17,369	9,531	8,392	17,923
60—64	6,831	6,042	12,873	7,061	6,249	13,310	7,282	6,454	13,736
65—69	4,800	4,331	9,131	4,986	4,499	9,485	5,168	4,662	9,830
70 and above	5,355	5,283	10,638	5,602	5,483	11,085	5,842	5,680	11,522
Total	313,275	291,725	605,000	318,930	296,950	615,880	324,473	302,077	626,550

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Every single person employed—manager, engineer, technician, factory worker, clerk, miner, doctor, lawyer, civil servant—has to answer these indignant persons; whether he has been more concerned with preserving and improving his privileged position, than with fulfilling his assigned tasks with sincerity.

Those of us who are involved in the manufacture of steel have a special responsibility in meeting the challenge posed by these indignant persons, because there is no employment which does not involve the use of implements and facilities and there are few implements or facilities, which do not involve the use of steel at some stage or the other.

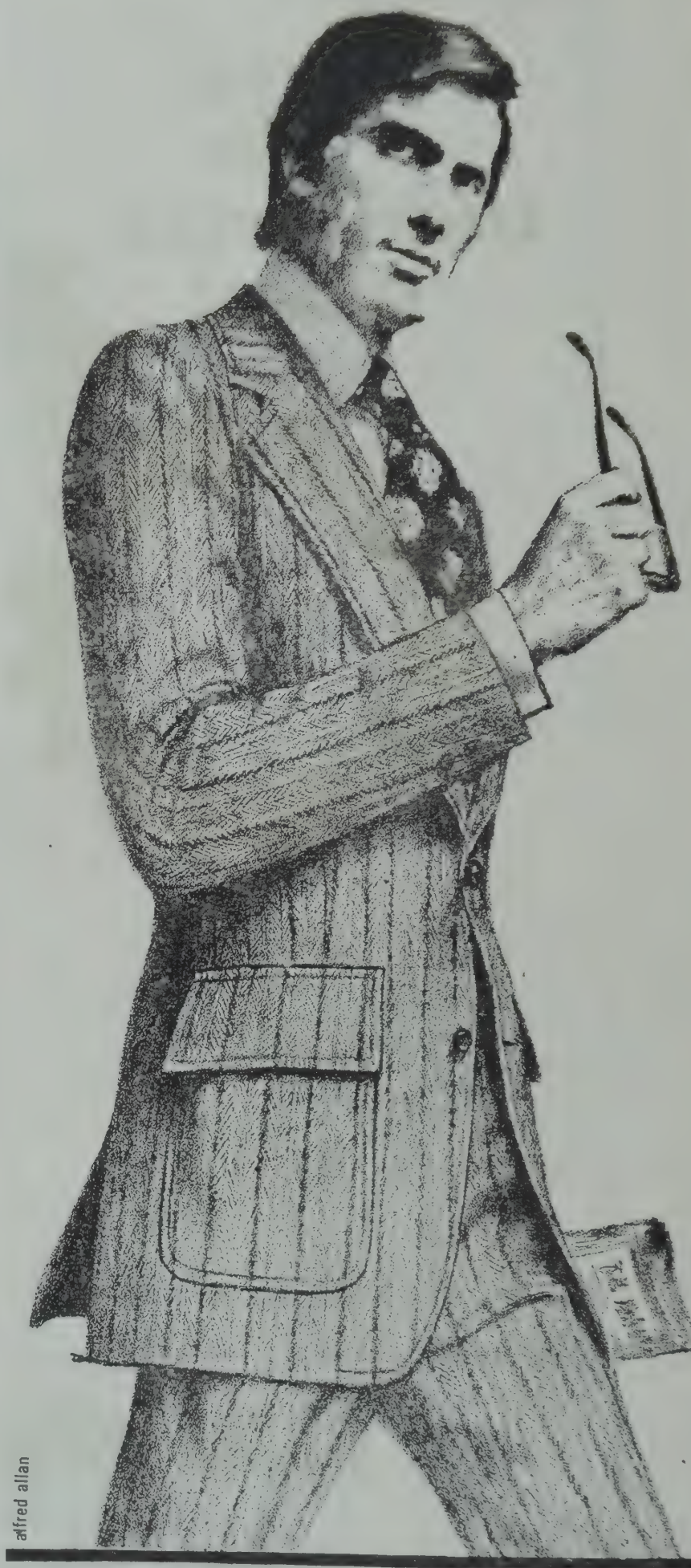
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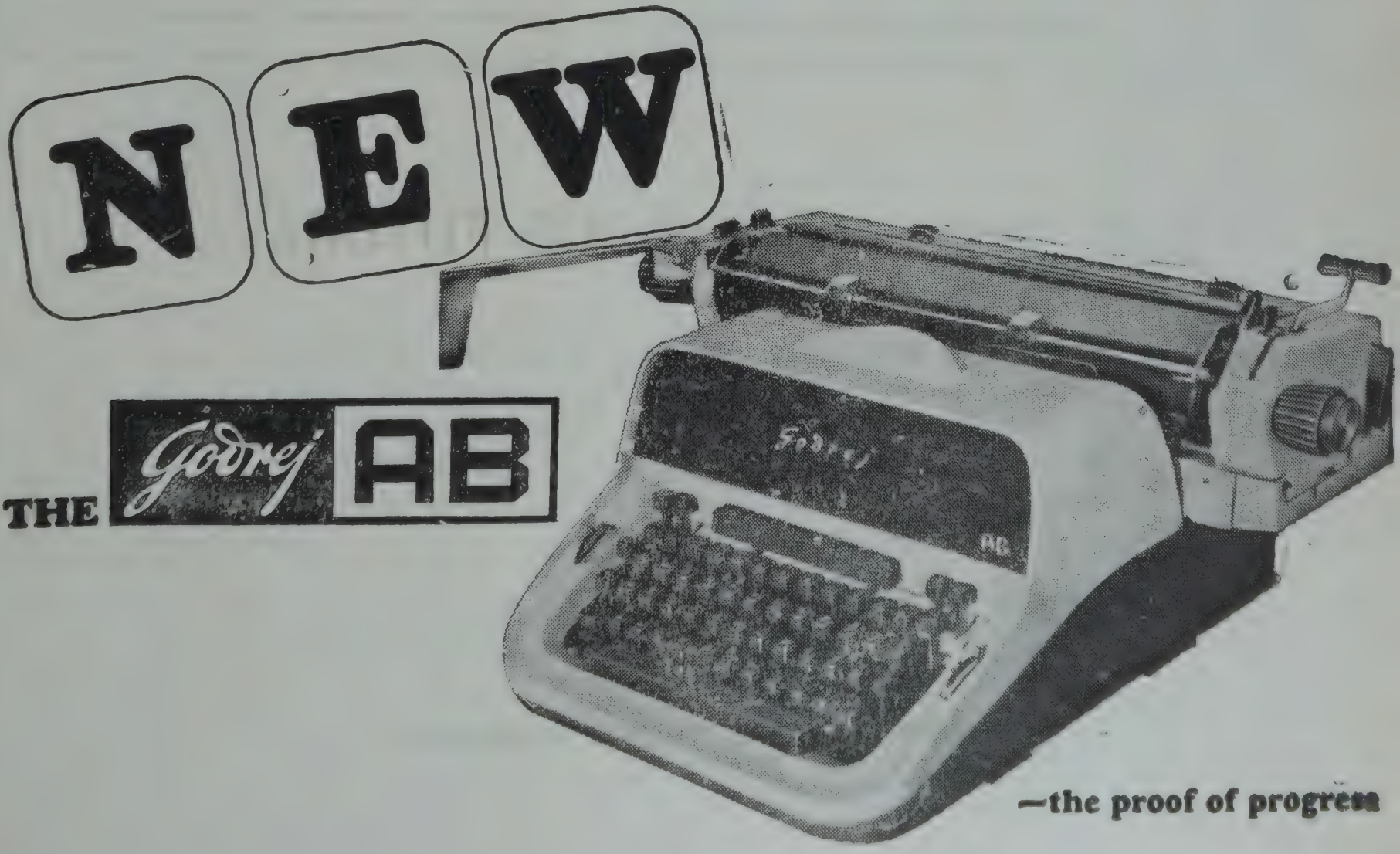
BHIWANI TEXTILE MILLS

P.O. BIRLA COLONY BHIWANI (HARYANA)

Estimates of Population By Age and Sex : 1979-81

(In thousands)

	1979			1980			1981		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
0— 4	42,544	40,270	82,814	41,889	39,642	81,531	41,259	39,036	80,295
5— 9	42,158	39,480	81,638	42,474	39,803	82,277	42,788	40,119	82,907
10—14	39,541	36,810	76,351	40,126	37,351	77,477	40,701	37,881	78,582
15—19	35,749	33,479	69,228	36,501	34,012	70,513	37,236	34,534	71,770
20—24	30,834	29,268	60,102	31,795	30,171	61,966	32,734	31,053	63,787
25—29	25,847	24,313	50,160	26,505	24,994	51,499	27,146	25,659	52,805
30—34	22,108	20,463	42,571	22,655	20,982	43,637	23,190	21,489	44,679
35—39	19,034	17,519	36,553	19,438	17,871	37,309	19,833	18,216	38,049
40—44	16,625	15,302	31,927	16,909	15,564	32,473	17,185	15,824	33,009
45—49	14,516	13,252	27,768	14,800	13,557	28,357	15,076	13,856	28,932
50—54	12,226	10,954	23,180	12,535	11,294	23,829	12,837	11,624	24,461
55—59	9,807	8,656	18,463	10,076	8,916	18,992	10,339	9,169	19,508
60—64	7,501	6,653	14,154	7,714	6,848	14,562	7,922	7,037	14,959
65—69	5,347	4,820	10,167	5,521	4,974	10,495	5,690	5,127	10,817
70 and above	6,076	5,872	11,948	6,305	6,059	12,364	6,529	6,240	12,769
Total	329,913	307,111	637,024	335,243	312,038	647,281	340,465	316,864	657,329



Rural and Urban Population of India By Age and Sex: 1976-81

(In thousands)

		1976*			1981*		
		Males	Females	Total	Males	Females	Total
Total:	0—14	123,562	115,908	239,470	124,748	117,036	241,784
	15—34	105,371	99,249	204,620	120,306	112,735	233,041
	35—59	67,356	60,912	128,268	75,270	68,689	143,959
	60 and above	16,986	15,656	32,642	20,141	18,404	38,545
	All ages	313,275	291,725	605,000	340,465	316,864	657,329
Rural:	0—14	96,852	92,713	189,565	98,508	92,791	191,299
	15—34	82,593	79,384	161,977	91,431	88,297	179,728
	35—59	52,796	48,741	101,537	57,866	54,812	112,678
	60 and above	13,314	12,525	25,839	15,823	14,503	30,326
	All ages	245,555	233,363	478,918	263,628	250,403	514,031
Urban:	0—14	26,710	23,195	49,905	26,240	24,245	50,485
	15—34	22,778	19,865	42,643	28,875	24,438	53,313
	35—59	14,560	12,171	26,731	17,404	13,877	31,281
	60 and above	3,672	3,131	6,803	4,318	3,901	8,219
	All ages	67,720	58,362	126,082	76,837	66,461	143,298

*As on 1st March

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National Income and Per Capita Income
1948-49—1978-79

Year	National Income†		Per Capita Income	
	Index (1948-49 =100)	Percentage variation	Index (1948-49 =100)	Percentage variation
1948-49	100.0	..	100.0	..
1949-50	102.0	2.0	100.4	0.4
1950-51	102.3	0.3	99.2	—1.2
1951-52	105.2	2.8	100.3	1.1
1952-53	109.4	4.0	102.4	2.1
1953-54	116.0	6.0	106.7	4.2
1954-55	118.8	2.4	107.3	0.6
1955-56	122.8	3.4	108.8	1.4
1956-57	129.6	5.5	112.5	3.4
1957-58	127.8	—1.4	108.7	—3.4
1958-59	137.9	7.9	114.9	5.7
1959-60	140.4	1.8	114.4	—0.4
1960-61	149.8	6.7	119.4	4.4
1961-62	155.0	3.5	120.8	1.2
1962-63	158.1	2.0	120.6	—0.2
1963-64	167.1	5.7	124.7	3.4
1964-65	179.1	7.2	130.9	5.0
1965-66	169.1	—5.6	121.0	—7.6
1966-67	171.7	1.5	120.0	—0.8
1967-68	187.6	9.3	128.3	6.9
1968-69	192.1	2.4	128.6	0.2
1969-70	202.2	5.3	132.3	2.9
1970-71	211.7	4.7	135.3	2.3
1971-72(E)	214.9	1.5	134.1	—0.9
1972-73(E)	219.2	2.0	133.4	—0.5
1973-74(E)	228.0	4.0	135.4	+1.5
1974-75(E)	240.5	5.5*	139.5	+3.0*
1975-76(E)	253.7	5.5*	143.7	+3.0*
1976-77(E)	267.7	5.5*	148.0	+3.0*
1977-78(E)	282.4	5.5*	152.4	+3.0*
1978-79(E)	297.9	5.5*	156.9	+3.0*

*Compound rate of growth. E : Estimated.
†Net National Product.

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Fifth Five-Year Plan (1974-75—1978-79)

Estimates of Output: 1973-74 and 1978-79

Commodity	Unit	1973-74 (Base year)	1978-79
Foodgrains	mill. tonnes	115.0	139.9
Coal	,,	80.0	141.2
Iron ore	,,	42.0	66.5
Crude oil	,,	7.70	7.77
Sugar	,,	4.2	5.88
Cotton cloth (mill made)	mill metres	8500	10703
Art silk fabrics	,,	1200	1513
Woollen fabrics	,,	17.0	24.2
Jute manufactures	'000 tonnes	1300	1636
Paper & paper board	,,	850	1327
Newsprint	,,	65.0	159.3
Fertilisers (N)	'000 tonnes	1600	3912
Sulphuric Acid	'000 tonnes	1500	3349
Petroleum products	mill. tonnes	20.5	36.0
Cement	,,	18.0	26.8
Mild steel	,,	5.8	9.4
Pig iron for sale	,,	2.0	3.8
Alloy & special steel	'000 tonnes	350	518
Aluminium ingots	,,	210	423
Electric motors	mill HP	3.4	5.6
Radios	mill nos	3.25	3.85
Watches and clocks	'000 nos	1575	2186
Electricity			
generation	Bill Kwh	78.0	129.3
consumption	,,	62.4	106.0

Sectoral Rates of Growth During Fifth Plan
(By Broad Groups)

(Per cent)

Sector	Average annual rate of growth	
	Gross value of output	Gross value added
Agriculture	4.82	4.00
Mining and Manufacturing	8.30	8.10
(a) Mining	10.33	9.65
(b) Mianufacturing	8.25	8.00
Food Products	4.94	4.55
Textiles	5.23	4.80
Wood and paper products	6.93	4.80
Leather and rubber products	8.53	8.10
Cehmical products	11.75	12.90
Coal and petroleum products	12.50	11.75
Non-metallic mineral products	3.20	7.75
Basic metals	11.42	10.80
Metal products	9.48	9.10
Non-electrical engineering products	14.90	14.45
Electrical engineering	9.29	8.65
Transport equipment	9.49	10.00
Instruments	9.69	9.15
Misc. Industries	7.98	7.75
Electricity	10.68	10.31
Construction	8.13	8.13
Transport	6.31	5.55
Services	6.34	5.62
Total		5.50

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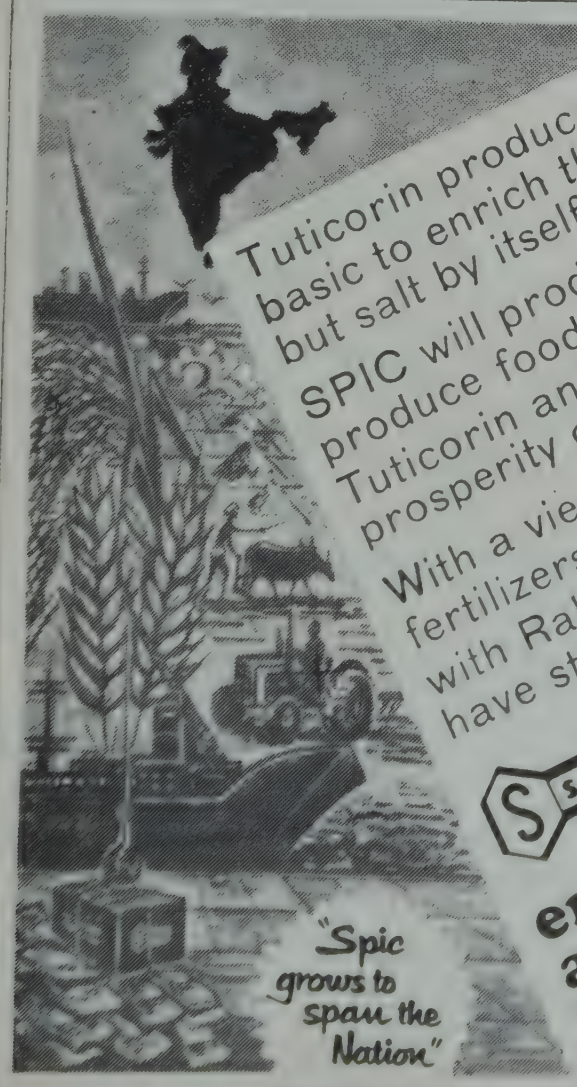
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Rates of Growth During Fifth Plan (Industry-wise)

Sector	Average annual rate of growth (Per cent)	
	Gross value of output	Gross value added
Agriculture and allied	4.82	4.00
Foodgrains	4.00	3.21
Other field crops	4.91	4.12
Animal husbandry and fishing	5.85	5.05
Plantations	4.94	4.15
Forestry	6.42	5.62
Mining and manufacturing	8.30	8.10
A. Mining	10.33	9.65
Coal	12.03	11.59
Iron ore	9.62	9.18
Crude oil	0.19	(—) 0.21
Other minerals	11.61	11.17
B. Manufacturing	8.25	8.00
(i) **Food products**	4.94	4.55
Sugar and gur	4.94	4.52
Vegetable oils	5.25	4.83
Tea and coffee	3.66	3.25
Other food products	5.03	4.61
Textiles	5.23	4.80
Cotton textiles	5.10	4.69
Jute textiles	4.70	4.29
Other textiles	5.22	4.81
Misc textile products	5.77	5.35
(iii) **Wood and paper products**	6.93	4.80
Wood products	4.91	4.50
Paper and paper products	9.85	9.42
(iv) **Leather and Rubber products**	8.53	8.10
Leather products	5.96	5.55
Rubber products	9.30	8.87
(v) **Chemical products**	11.75	12.90
Fertilisers	19.73	19.26
Inorganic heavy chemicals	13.05	12.61
Organic heavy chemicals	11.31	10.87
Plastics and paints	10.50	10.06
Cosmetics and drugs	5.28	4.86
Man-made fibres	5.80	5.38
Other chemicals	11.16	10.72
(iv) **Coal and petroleum products**	12.50	11.75
Misc coal products	12.46	12.01
Pretrolum products	11.90	11.46
(vii) **Non-metallic mineral products**	8.20	7.75
Cement	8.28	7.85
Refractories	10.34	9.91
Other non-metallic mineral products	8.00	7.58
(viii) **Basic metals**	11.42	10.80
Iron and steel	10.44	10.01
Non-ferrous metals	13.75	13.31
(ix) **Metal products**	9.48	9.10
Bolts and nuts	10.50	10.06
Metal containers	6.80	6.38
Other metallic products	9.61	9.18
(x) **Non-electrical engg products**	14.90	14.45
Ball bearings	18.14	17.67
Office and domestic equipment	11.36	10.92
Agrcultural implements	8.70	8.27
Machine tools	16.21	15.75
Other machinery	16.33	15.87
(ix) **Electrical engineering products**	9.29	8.65
Electrical motors	10.54	10.11
Electrical wires	8.45	8.20
Electronics	12.08	11.64
Batteries	7.05	6.63
Electrical household goods	7.27	6.85
Radios	3.46	3.06
Telephone and telegraphic equipments	9.82	9.38
Other electricals	12.30	11.85
(xii) **Transport equipment**	9.49	10.00
Motor cycles	7.99	7.75
Motor vehicles	7.04	6.61
Ships and boats	9.57	9.13
Aircraft	12.52	12.08
Rail equipment	12.93	12.49
(xiii) **Instruments**	9.69	9.15
(xiv) **Misc industries**	7.96	7.59
Electricity	10.63	10.31
Construction	8.13	8.13
Transport	6.31	5.55
Railways	6.67	5.95
Services	6.34	5.62
Total		5.50

Source : "Approach to the fifth Plan"

Note : The Planning Commission's Document, "Approach to the fifth Plan" was generally approved by the union cabinet.

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Head Office :
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Per Capita Demand for Agricultural Commodities

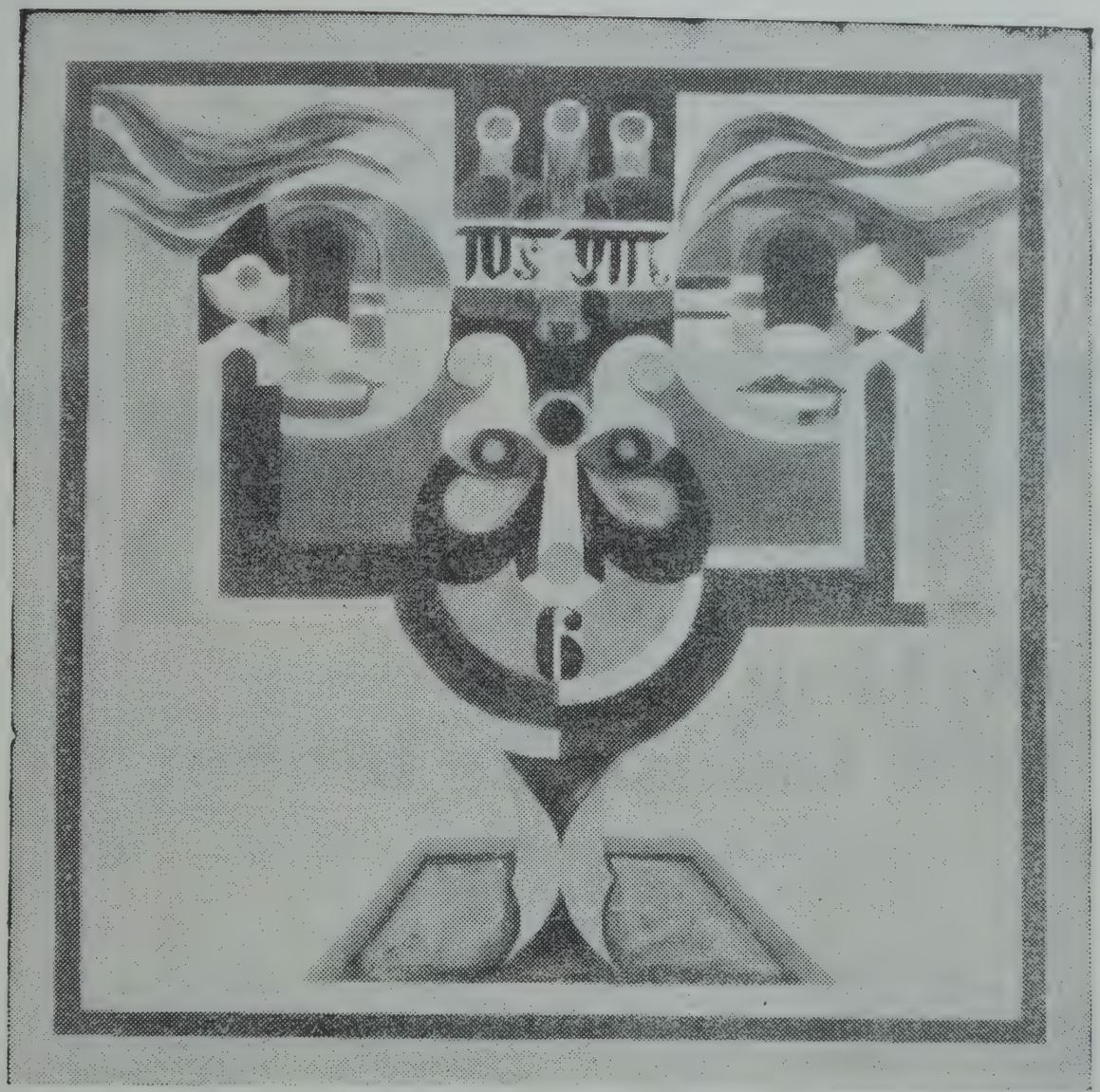
(Kgs per year)

Commodity	1965	1970	1975 (T)	1980 (T)	1975 (H)	1980 (H)
Cereals	130.6	135.3	139.0	143.3	140.4	145.7
Wheat	28.5	32.0	33.5	35.5	34.3	37.2
Rice	62.8	64.5	67.0	69.9	68.0	71.3
Coarse Grains	39.3	38.8	38.5	37.9	38.1	37.2
Maize	7.4	7.3	7.3	7.2	7.2	7.1
Millet (Sorghum)	29.6	29.1	28.8	28.3	28.5	27.6
Others	2.4	2.4	2.4	2.4	2.4	2.4
Starchy roots	12.8	12.8	12.8	12.8	12.8	12.8
Sugar Products	23.3	21.6	22.8	25.0	24.2	28.3
Sugar	19.9	17.9	18.8	20.5	19.8	23.1
Sugar products	3.4	3.7	4.0	4.5	4.3	5.2
Pulses, nuts, oilseeds	22.0	22.8	23.4	24.4	24.0	25.6
Pulses, nuts	21.0	21.7	22.3	23.2	22.9	24.4
Oilseeds	1.0	1.1	1.1	1.1	1.1	1.2
Vegetables	44.2	46.4	48.2	50.9	49.9	54.3
Fruits	19.9	21.1	22.0	23.4	22.8	25.1
Meat	1.5	1.4	1.5	1.6	1.6	1.8
Eggs	0.2	0.1	0.2	0.2	0.2	0.2
Fish	2.6	2.9	3.1	3.6	3.4	4.2
Whole milk	22.5	20.0	21.0	22.5	21.9	24.5
Skim milk	11.8	12.5	13.1	14.0	13.7	15.3
Cheese	3.0	3.2	3.3	3.6	3.5	3.9
Fats and Oils	4.5	4.7	5.0	5.4	5.3	6.0
Butter	0.9	0.8	0.9	0.9	0.9	1.0
Vegetable oils	3.6	3.9	4.1	4.5	4.4	5.1
Animal fats	Neg	Neg	Neg	Neg	Neg	Neg
Spices	1.1	1.1	1.2	1.2	1.2	1.3
Cocoa	Neg	Neg	Neg	Neg	Neg	Neg
Other food	0.2	0.3	0.3	0.3	0.3	0.3
Total food—calories	1948	1991	2055	2145	2098	2236
Animal calories	112	110	116	125	121	137
Proteins	50.6	52.0	53.6	55.7	54.6	57.8
Animal proteins	5.8	5.7	6.0	6.5	6.3	7.2
Fats	26.6	27.3	28.5	30.4	29.6	32.8
Animal fats	7.0	6.9	7.3	7.8	7.6	8.6
Calories from cereals, starchy roots, sugar products as % of total calories	76.8	76.7	76.6	76.2	76.2	75.4
Calories from proteins as % of total calories	10.4	10.5	10.4	10.4	10.4	10.3
Animal protein as % of total proteins	11.5	10.9	11.1	11.6	11.5	12.4
Calories from fats as % of total calories	12.3	12.4	12.5	12.8	12.7	13.2
Beverages						
Coffee	0.1	0.1	0.1	0.1	0.1	0.1
Tea	0.3	0.4	0.4	0.5	0.4	0.5

'T': Related to a 'trend' assumption of Gross Domestic product (GDP) and Private Consumption Expenditure (PCE) in line with historical trends, due account being taken of the most recent changes affecting these trends.

'H':A 'high' alternative taking into consideration maximum growth rate for the economy.

Source: "Agricultural Commodity Projections, 1970-1980", FAO.



The King and the maids' - an original painting by Satish Gujral. Copyright: Modipon.

THE KING AND THE MAIDS have chapters, nay volumes to illustrate their tales. They invoke a nostalgia that has few equals in human mythology. They attract us for these are men and women who seek to live life in its fullest.

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Over the past thirty years, these industries, brought into being by Hindustan Motors, have expanded, diversified and improved their range of manufactures to meet the demands of other automobile manufacturers not only in India but also abroad. Today one of the important items of export of the Indian Engineering industry are automobile components and accessories which bring in more than Rs. 15 crores in foreign exchange every year.

Bringing new ancillary industries into existence—this is one of the ways in which Hindustan Motors keep India's economy moving and growing.

Hindustan Motors Limited
Keeping India's economy moving and growing

CC/HMA-1/72

Capacity of Nitrogen (N) According to Sources of Feedstock
(As on October 1, 1972)

(In tonnes)

Feedstock	Stage of production				
	Factories in production	Projects under implementation	Projects approved	Projects under consideration	Total
Naphtha	1,077,190	1,145,000	120,000	152,000	2,494,190
	(73.2)	(50.4)	(13.9)	(50.0)	(50.8)
Natural gas	45,000	367,000	..	..	412,000
	(3.1)	(16.1)	(..)	(..)	(8.4)
Electric power	80,000	..	..	..	80,000
	(5.4)	(..)	(..)	(..)	(1.6)
Coke/coke oven gas	198,630*	..	..	..	198,630
	(13.5)	(..)	(..)	(..)	(4.0)
Lignite	70,000	..	..	..	70,000
	(4.8)	(..)	(..)	(..)	(1.4)
Imported liquid ammonia	..	150,000	45,000	..	195,000
	(..)	(6.6)	(5.2)	(..)	(4.0)
H.S.H.S./L.S.H.S.	..	..	167,000	..	167,000
	(..)	(..)	(19.4)	(..)	(3.4)
Coal	..	458,000	229,000	..	687,000
	(..)	(20.2)	(26.4)	(..)	(14.0)
Fuel oil	..	152,000	304,000	152,000	608,000
	(..)	(6.7)	(35.1)	(50.0)	(12.4)
Total (N)	1,470,820	2,272,000	865,000	304,000	4,911,820
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Note: Figures in brackets are percentages to total.

*Includes 26,630 tonnes of N produced as a by product ammonium sulphate at coke oven plants. In case of Hindustan Steel Ltd, Rourkela, 60 per cent of capacity of calcium ammonium nitrate is assumed from coke oven gas and 40 per cent from naphtha.

H.S.H.S.: High sulphur heavy stock. L.S.H.S.: Low sulphur heavy stock.

Capacity of N and P_2O_5 Under Implementation (Sector-wise)
(As on October 1, 1972)

(Tonnes of nutrient)

Sector	Stage of production				
	Factories in production	Projects under implementation	Projects approved	Projects under consideration	Total
Nitrogen (N)					
Public sector	828,860	1,422,000	548,000	..	2,798,860
	(56.4)	(62.6)	(63.3)	(..)	(56.9)
Private Sector	641,960	635,000	257,000	304,000	1,837,960
	(43.6)	(27.9)	(29.7)	(100.0)	(37.4)
Co-operative Sector	..	215,000	60,000	..	275,000
	(..)	(9.5)	(7.0)	(..)	(5.7)
Total	1,470,820	2,272,000	865,000	304,000	4,911,820
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
P_2O_5					
Public sector	192,1970	546,000	..	..	738,170
	(38.1)	(71.1)	(..)	(..)	(52.6)
Private sector	312,340	95,000	130,200	..	537,540
	(61.9)	(12.4)	(100.0)	(..)	(38.3)
Co-operative sector	..	127,000	..	..	127,000
	(..)	(16.5)	(..)	(..)	(9.1)
Total	504,510	768,000	130,200	..	1,402,710
	(100.0)	(100.0)	(100.0)	..	(100.0)

Note: Figures in brackets are percentages to total.

Estimated Installed Annual Capacity of N and P_2O_5 during 1972-73 to 1978-79 (Thousand tonnes)

Period	Existing (at the beginning of the year)		Additional during the year		Total (by the end of the the year)	
	N	P_2O_5	N	P_2O_5	N	P_2O_5
Fourth Plan						
1972-73	1,471 (3:1)	504	479	42	1,950 (4:1)	546
1973-74	1,950	546	304	..	2,254	546
Fifth Plan						
1974-75	2,254	546	675	336	2,929	882
1975-76	2,929	882	149	328	3,078	1,210
1976-77	3,078	1,210	994	76	4,072	1,286
1977-78	4,072	1,286	673	117	4,745	1,403
1978-79	4,745	1,403	167	..	4,912 (3.5:1)	1,403

( )=Ratio between N and P_2O_5 capacities.

Balance Sheet of Consumption Requirement vis-a-vis Capacity Requirement (Million tonnes)

Detail	1972-73		1973-74		1978-79	
	N	P_2O_5	N	P_2O_5	N	P_2O_5
Consumption requirement*	2.10	0.70	2.40	0.85	5.50	2.00
Production estimate*	1.20	0.36	1.60	0.39	5.50 (for self-sufficiency)	2.00
Capacity at the beginning of the year	1.47	0.50	1.95	0.54	4.74	1.40
Capacity likely to be created during the year	0.48	0.04	0.30	..	0.17	..
Total capacity at the end of year	1.95	0.54	2.25	0.54	4.91	1.40
Capacity required for self-sufficiency*	3.00	1.17	3.43	1.42	7.33	3.08
Anticipated shortfall in capacity to meet full demand	1.05	0.63	1.18	0.88	2.42	1.68

*Assumed at 70 per cent for N and 60 per cent for P_2O_5 for 1972-73 and 1973-74 in view of past performance. For 1978-79, these are expected to further improve to 75 and 65 per cent respectively. **Source**: Fertiliser News, October 1972

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—and above all-the people
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COME TO ANDHRA PRADESH

KNOW ASHOK LEYLAND BETTER—1

A saga of planned growth

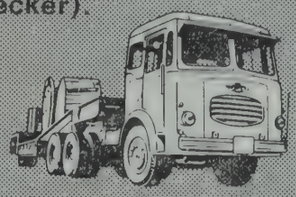
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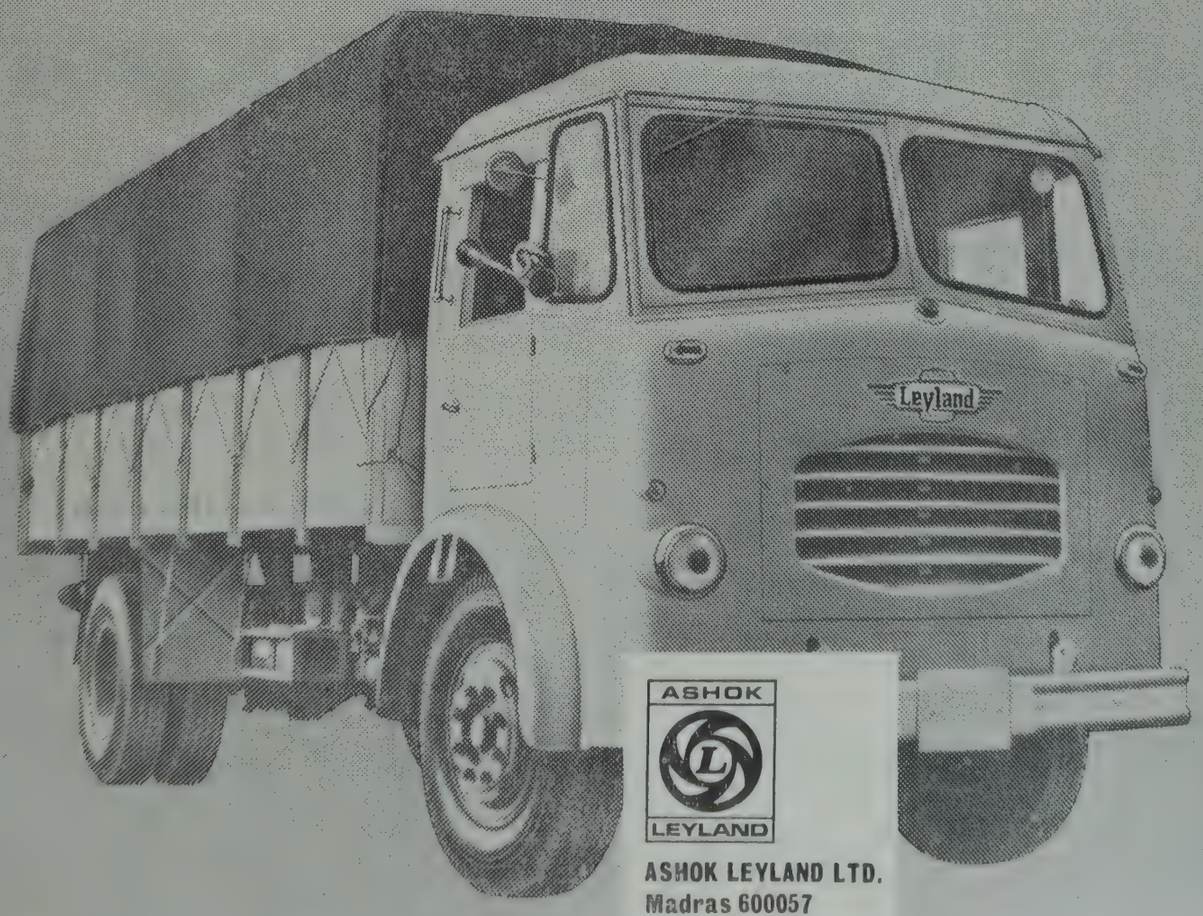


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Demand for Agricultural Equipment and Implements

Implement	1970-71	1971-72	1972-73	1973-74
Ploughs, mould board and disc type — 2 & 3 furrow	14,000	16,300	19,500	22,600
Reversible mould board and disc ploughs* — 2 & 3 furrow	2,000	2,500	3,000	4,000
Tillers—9 & 11 line	29,400	34,300	40,600	47,600
Disc harrows	21,000	24,500	29,000	39,000
Paddy disc harrows	2,500	4,000	6,000	8,500
Seed-cum-fertiliser drills** — semi-mounted type	8,000	11,000	15,000	21,000
Seed-cum-fertiliser drills—attachment to tillers	3,500	4,000	4,500	5,000
Planters, 2 & 3 — row with fertiliser attachment**	4,000	5,500	7,000	9,500
Blade terracer	3,500	4,500	6,500	8,500
Levellers towed, or land planes for 30-50 HP tractors**	1,500	2,000	2,500	3,000
Scrapers 2 & 3 cu. yard hydraulically operated suitable for 20 to 50 HP tractors*	1,500	2,000	3,250	4,500
Front- mounted dozer blades for 20 to 50 H.P. tractors*	800	1,200	2,000	3,200
Inter-cultivators*— mounted	1,500	2,500	3,500	5,000
Inter-culrivators*— disc type	2,000	2,500	3,000	3,500
Fertiliser attachment for inter-cultivators**	2,300	3,000	4,000	5,700
Tractor rear-mounted sprayers and dusters*	2,000	3,000	4,000	5,500
Tractor mounted gas/liquid fertiliser applicators*	1,200	2,000	3,000	4,000
Sub-soilers	2,200	2,400	2,600	3,000
Fertiliser distributors-towed type**	2,500	3,000	3,500	4,000
Mounted fertiliser —broadcaster**	1,000	1,200	1,500	1,750
Rotavaters 4" to 6" wide*	2,400	2,800	3,200	4,000
Ridger—2 & 3 row	3,000	3,000	3,500	4,500
Spiketarth harrow 9" wide in 2 gangs, mounted	2,000	2,500	3,000	3,500
Cold crushers/ packers	4,500	5,750	7,000	8,250
Sub-soiling chisel ploughs 2 & 3 lined	1,200	1,500	1,750	2,000
Mowers with 4 to 6" cutterbar**	700	1,000	1,500	2,000
Tractor winnowers*	700	800	900	1,000
Reapers & reaper binders*	2,000	3,500	6,000	8,500
Combined harvester, tractor mounted, towed*	400	1,500	2,000	2,500
Paddy combiners/ binders*	800	1,500	2,000	2,500
Power maize shellers	5,000	7,000	7,000	7,000
Field forage harvester*	500	700	1,000	1,000
Rotary choppers/ slashers*	300	500	700	900
Tractor operated fodder mills/feed grinders**	1,000	1,500	2,000	250,0
Groundnut diggers*	500	1,200	1,500	2,500
Potato planters*	1,000	1,500	2,000	2,500
Potato diggers and harvesters	300	750	1,500	500
Maize harvesters	60	70	80	90
Grape driers—low capacity portable	500	700	700	600
Trailers	25,000	26,000	32,000	37,000
Seed cleaners & graders/small size	5,000	7,500	10,500	12,500
Power threshers for wheat	18,000	26,000	30,000	40,000
High capacity wheat threshers	270	350	400	520
High capacity threshers for sorgum	6,000	10,000	15,000	20,000
High capacity threshers, automatic type*	2,500	3,000	3,000	3,500
P.T.O. operated pumping sets	4,000	8,000	10,000	12,000
Tractor mouned, hydraulically opecated loaders and differs	200	350	400	400
Agricultural discs	549,624	671,228	834,766	1,062,172

*No indigenous production. **Production inadequate.

Source: Indian Engineering Association.

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KATHMANDU, NEPAL

Industrial Production: 1950-1978

(Index Numbers) (Base:1960=100)

Year	Index	Percentage change over the previous year
1950	49.1	..
1951	54.8	11.6
1952	57.2	4.4
1953	58.1	1.6
1954	63.4	9.1
1955	72.7	14.7
1956	78.4	7.8
1957	82.7	5.5
1958	84.4	2.1
1959	90.3	7.0
1960	100.0	10.7
1961	109.1	9.1
1962	119.7	9.7
1963	129.6	8.3
1964	140.8	8.6
1965	153.8	9.2
1966	152.6	—0.8
1967	151.4	—0.8
1968	161.1	6.4
1969	172.5	7.1
1970	180.5	4.6
1971	186.1	3.1
1972(E)	199.5	7.2
1973(E)	215.5	8.0
1974(E)	233.4	8.3*
1975(E)	252.8	8.3*
1976(E)	273.8	8.3*
1977(E)	296.5	8.3*
1978(E)	321.1	8.3*

*Compound rate of growth E=Estimated.

Shortfalls in Industrial Output

Product	1973-74		
	Target	Likely output (official estimates)	Shortfall
Coal (Mil. tonnes)	93.5	80	13.5
Iron ore (Mil. tonnes)	51.4	42	9.4
Sugar (Mil. tonnes)	4.7	4.2	0.5
Cotton cloth (mill made) (Mil. metres)	5100	4500	600
Art silk fabrics (Mil. metres)	1500	1200	300
Woollen fabrics (Mil. metres)	20	17	3
Jute manufactures (000 tonnes)	1400	1300	100
Paper and paper boards (000 tonnes)	850	850	Nil
Newsprint (000 tonnes)	150	65	85
Fertilizers (000 tonnes N)	2500	1600	900
Sulphuric acid (000 tonnes)	2500	1500	1000
Petroleum products (Mil. tonnes)	26.0	20.5	5.5
Cement (Mil. tonnes)	18.0	18.0	Nil
Finished steel (Mil. tonnes)	8.1	6.2	1.9
Pig iron for sale (Mil. tonnes)	3.8	2.0	1.8
Alloy & special steel (000 tonnes)	220	350	+130
Aluminium (000 tonnes)	220	210	10
Electric motors (Mil. HP)	3.4	3.4	Nil
Radios (Mil. nos)	3.80	3.25	0.55

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MADRAS-17

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Spinnacle and Sonar.

Total Demand for Mild Steel 1975-1980

(In thousand tons)

	1975			1980		
	Primary	Intermediate	Total	Primary	Intermediate	Total
Steel Castings	111.6	..	111.6	226.7	..	226.7
Semi-finished Steel*	66.8	190.7	267.5	66.9	377.3	444.2
Finished Steel	6,467.3	1,144.5	7,611.8	10,933.9	1,925.1	12,859.0
Bars and rods	2,226.8	..	2,226.8	3,700.4	..	3,700.4
Wire rods†	..	484.3	484.3	..	816.2	816.2
Light and medium structurals	780.5	..	780.5	1,335.1	..	1,335.1
Heavy structurals	270.5	..	270.5	420.7	..	420.7
Plates	705.2	24.2	729.4	1,413.6	63.3	1,476.9
Cold-roeld sheets and strips	555.2	..	555.2	988.2	..	988.2
Hot-rolled sheets and strips	1032.1	254.4	1,286.5	1,959.6	261.4	2,221.0
Skelp	..	381.6	381.6	..	784.2	784.2
Galvanised plain sheets	91.4	..	91.4	110.7	..	110.7
Galvanised corrugated sheets	150.6	..	150.6	200.6	..	200.6
Tinplate	300.0	..	300.0	450.0	..	450.0
Rails	220.0	..	220.0	220.0	..	220.0
Sleepers	75.0	..	75.0	75.0	..	75.0
Fish Plates	7.0	..	7.0	7.0	..	7.0
Bearing plates	15.0	..	15.0	15.0	..	15.0
Crossing sleeper bars	8.0	..	8.0	8.0	..	8.0
Wheels, tyres and axles	30.0	..	30.0	30.0	..	30.0

* For forgings and seamless tubes only. Rerollers' requirements are excluded: the demand for their products is put under the relevant finished products.

† Includes high-carbon wire rods, estimated at 160,000 tons in 1975 and 350,000 tons in 1980.

Total Demand for Alloy and Special Steel : 1975

(In thousand tons)

	Large scale industries	Substitution effect	Defence	Small scale industries	Total
Stainless and heat-resisting steel	36.1	7.2	1.0	6.0	50.3
High speed steel	6.0	..	0.1	0.8	6.9
High-carbon alloy, tool and steel	18.2	..	6.0	1.0	25.2
Spring steel	69.1	..	0.2	3.5	72.8
Carbon constructional steel	44.5	..	3.0	2.0	49.5
Alloy constructional steel	97.6	39.0	1.5	3.5	141.6
Free cutting steel	22.6	..	0.4	1.0	24.0
High-carbon steel (excluding tool steel)	40.6	34.7	3.5	0.6	44.7
Die blocks	0.9	..	..	..	0.9
Electrical steel sheets	115.6	34.7	..	1.2	151.5
Total	451.2	80.9	15.7	19.6	567.4

Total Demand for Alloy and Special Steel : 1980

(In thousand tons)

	Large-scale industries	Substitution effect	Defence	Small-Scale industries	Total
Stainless and heat-resisting steel	84.3	21.1	1.5	10.5	117.4
High speed steel	10.9	..	0.1	1.3	12.3
High-carbon alloy, tool and die steel	36.3	..	7.5	1.8	45.6
Spring steel	105.2	..	0.3	5.0	110.5
Carbon constructional steel	88.0	..	6.5	3.5	98.0
Alloy constructional steel	193.9	77.6	5.0	6.5	283.0
Free cutting steel	39.0	..	0.7	1.4	41.1
High-carbon steel (excluding tool steel)	61.6	..	5.0	1.0	67.6
Die blocks	2.1	..	..	..	2.1
Electrical steel sheets	207.2	72.5	0.1	2.5	282.3
Total	828.5	171.2	26.7	33.5	1,059.9

Source: N.C.A.E.R.

Total Demand for Mild Steel and Intermediate Products: 1975

(In thousand tons)

	Industry	Packaging	Railways	Defence	Others	Total
Steel Castings	111.6	..	..	..	..	111.6
Semi-finished Steel	..	..	63.6	3.3	..	66.8
Primary Rolled Products	2,088.2	362.2	425.5	181.4	3,410.0	6,467.3
Bars and rods	335.8	..	20.0	71.0	1,800.0	2,226.8
Light and medium structurals	249.5	..	10.0	21.0	500.0	780.5
Heavy structurals	182.5	..	4.0	4.0	80.0	270.5
Plates	522.2	..	18.3	44.7	120.0	705.2
Cold-rolled sheets and strips	525.2	..	0.5	29.5	..	555.2
Hot-rolled sheets and strips	241.0	64.0	16.5	10.6	700.0	1,032.1
Galvanised plain sheets	30.2	..	0.6	0.6	60.0	91.4
Galvanised corrugated sheets	..	..	0.6	..	150.0	150.6
Tinplate	1.8	298.2	..	..	..	300.0
Rails	..	..	220.0	..	..	220.0
Sleepers	..	..	75.0	..	..	75.0
Fish plates	..	..	7.0	..	..	7.0
Bearing plates	..	..	15.0	..	..	15.0
Crossing sleeper bars	..	..	8.0	..	..	8.0
Wheels, tyres and axles	..	..	30.0	..	..	30.0
Intermediate Products	358.6	..	..	3.8	900.0	1,262.4
Forgings	67.3	..	..	..	45.0	112.3
Wires	189.6	..	..	0.6	80.0	470.2
Pipes and tubes	101.7	..	..	3.2	575.0	679.9

Total Demand for Mild Steel and Intermediate Products: 1980

(In thousand tons)

	Industry	Packaging	Railways	Defence	Others	Total
Steel Castings	226.7	..	..	..	..	226.7
Semi-finished Steel	..	..	63.5	3.4	..	66.9
Primary Rolled Products	3,815.4	544.5	425.5	213.5	5,935.0	10,933.9
Bars and rods	604.3	..	20.0	76.1	3,000.0	3,700.4
Light and medium structurals	499.1	..	10.0	26.0	800.0	1,335.1
Heavy structurals	312.7	..	4.0	4.0	100.0	420.7
Plates	974.3	..	18.3	61.0	360.0	1,413.6
Cold-rolled sheets and strips	957.2	..	0.5	30.5	..	988.2
Hot-rolled sheets and strips	432.0	96.0	16.5	15.1	1,400.0	1,959.6
Galvanised plain sheets	34.3	..	0.6	0.8	75.0	110.7
Galavanised corrugated	..	..	0.6	..	200.0	200.6
Tinplate	1.5	448.5	..	..	..	450.0
Rails	..	..	220.0	..	..	220.0
Sleepers	..	..	75.0	..	..	75.0
Fshi plates	..	..	7.0	..	..	7.0
Bearing plates	..	..	15.0	..	..	15.0
Crossing sleeper bars	..	..	8.0	..	..	8.0
Wheels, tyres and axles	..	..	30.0	..	..	30.0
Intermediate Products	638.0	..	..	4.5	1,546.0	2,189.1
Forgings	133.7	..	..	..	81.0	214.7
Wires	301.8	..	..	0.6	490.0	792.4
Pipes and tubes	201.3	..	..	3.9	975.0	1,182.0

Source: N.C.A.E.R.

Estimated Engineering Output in 1975 and 1980

Industry	Unit	1975	1980
Steel ingots	Th. tons	9,500	16,000
Alloy, tool and special steels	,,	462	759
Steel Structural Fabrication			
Factories	,,	290	556
Housing	,,	20	50
Penstocks	,,	12	24
Pipelines	,,	25	40
Transmission towers	,,	77	173
Tubular structurals	,,	7	14
Others	,,	22	32
Conduit pipes	Mill. metres	13	20
Bolts, nuts and rivets	Th. tons	70	120
High tensile bolts and nuts	,,	11	22
Machine screws	,,	2	2.50
Wire netting and wire products	,,	8	15
Wood screws	,,	4	5
Steel link chains	Tons	4000	8000
Wire nails	Th. tons	5	8
Enamelware	Mll. APU	40	50
Steel furniture	Th. tons	100	200
Razor blades—ordinary	Mill APU	500	600
Razor blades—stainless	,,	500	900
Hurricane lanterns	,,	3	2
Oil pressure lamps	Th. APU	100	80
Steel files	Mill APU	25	50
Tool bits	Th. APU	1200	2000
Portable tools	Rs million	25	50
Arc welding electrodes	Mill metres	500	750
Utensils	Th. tons	20	50
Other metal products	Rs million	600	1000
Stoves	Th. APU	400	400
Builders' hardware	Th. tons	10	12
Expanded metal products	,,	150	2
Metal bandsaws	Th. metres	1500	2500
Vacuum flasks	Mill APU	5	9
Umbrella ribs	,,	8	9
Lightning arrestors	Th. APU	35	50
Buckets	Mill APU	9	7.50
LPG cylinders	Th. APU	100	200
Wire ropes	Th. tons	17	25
Twist drills	Mill APU	20	40
Wood bandsaws	Th. APU	300	500
Industrial boilers	Rs million	100	160
Engines (petrol/kerosene)	Th, APU	70†	150†
Cotton Textile Machinery			
Automatic looms	APU	4000	6000
Blow room lines	,,	5	10
Draw frames	,,	150	200
Ring and doubling frames	,,	1200	2400
Speed frames	,,	100	200
Winding machines	,,	5	10
Other cotton textile machinery††	Rs milion	70	80
Cane crushers	,,	35	40
Chemical and pharmaceutical machinery	Rs million	200	800
Building and Road Construction Machinery			
Concrete vibrators	APU	2000	2500
Road rollers	,,	600	1000
Other building and road construction machinery**	Rs million	16	24
Lifts	APU	800	1600
Rice, dal and flour mill machinery	Rs million	8	10
Conveying machinery	Rs million	NA	120
Cranes	Th Tons	3	6
Power driven pumps	Th APU	500	750
Air compressors	Rs million	200	400
Ball and roller bearings	Mill APU	20	40
Speed reduction gears	Rs million	70	120
Other machine tools	,,	360	720
Tractor-drawn agricultural implements	Th APU	20	50
Other agricultural implements	Th tons	50	120
Crawler tractors	APU	500	1500
Dumpers and scrapers	,,	300	700
Desk machines	Th APU	5	20
Computers	Rs million	20	80
Water Coolers	Th APU	7.50	12
Deep freezers	,,	4	8
Refrigerators	,,	125	200
Room air-conditioners	,,	25	40
Packaged air-conditioners	,,	1	2
Central plants inlc. ice plants	Th Tons	75	150
Sewing machines	Th APU	500	600
Sewing machine needles	Tons	2.50	5
Duplicators	Th APU	7.50	10
Weighing machinery	Rs million	25.50	35
Other machinery	,,	300	700
Belt lacing	Th tons	1	1
Ceramic and tile making machinery	Rs million	1	1
Dairy machinery	,,	20	25
Diesel engines (stationary)	Th APU	150	250
Diesel engines (vehicular)	,,	32*	100*
Fork lift trucks	APU	1000	2000
High speed winders	,,	12	16
Industrial furnaces	Rs million	45	75
Machine chasers and threading tools	Th APU	3000	5000
Cutting machines	,,	350	550
Reaming machines	,,	200	225
Printing machinery	Rs Million	20	45
Shoe and other leather machinery	,,	4	8
Shovels and excavators	APU	150	200
Teleprinters	Th APU	10	25
Thin-walled bearings	Mill APU	15	30
Typewriters	Th APU	50	80

(*Continued*)

Estimated Engineering Output in 1975 and 1980—(*Continued*)

Industry	Unit	1975	1980
Valves (internal combustion)	Mill APU	6	10
Valves (pipeline)	Th tons	2	3
Machine tool accessories	Rs million	40	100
Transformers	Mill KVA	16	25
Motors (FHP)	Th HP	60	150
Motors (1-20 HP)	,,	3500	6500
Motors (over 20 HP)	,,	1700	4000
Motor starters	Th APU	800	1600
Motor dynamos	,,	250	400
Domestic fans (ceiling)	,,	1000	1100
Domestic fans (table)	,,	650	800
Domestic fans (pedestal)	,,	150	200
Fans and blowers	,,	25	35
Switch gear and control gears	Rs million	500	1000
PVC cables (low tension)	Th Kms	800	1400
PVC cables (power)	,,	30	50
ACSR cables	Th tons	125	200
Co-axial cables	Th Kms	16	30
Public addressing system	Rs million	20	40
Radio receivers	Mill APU	4	8
Other electric equipment	Rs million	300	600
House service meters	Th APU	2000	2500
Turbo generators (steam & hydro)	MW	1000	3000
Light fittings	Rs million	250	450
Insulators	Th tons	25	50
Shipbuilding	Th GRT	75	200
Boats and crafts	APU	150	150
Buses	Th APU	15	30
Diesel locomotives and diesel shunters	APU	205	220
Electric locomotives	,,	71	71
EMU	,,	230	230
Railway wagons	Th APU	16	16
Passenger coaches	APU	1200	1500
Cars	Th APU	50	120
Jeeps and station wagons	,,	13	19
Auto Parts			
Auto leaf springs	Th tons	50	80
Carburettors	Th APU	100	175
Piston rings	Mill APU	25	40
Shock absorbers	Th APU	1800	4000
Horns	Mill APU	2	2
Brake assembly	Th sets	300	480
Auto tyres	Th APU	6000	8500
Wheels	Rs million	100	180
Trailers	Th APU	8	20
Trucks (petrol and diesel)	,,	45	100
Bicycles	,,	2700	4000
Bicycles Parts			
Bicycle chains	Mill APU	17.50	25
Bicycle chain wheels and cranks	Th APU	2996	4420
Bicycle rims	Mill APU	3	4
Bicycle spokes	,,	244	372
Bicycle tyres	,,	35	50
Scooters	Th APU	125	25
Motor cycles	Th APU	70	15
Three-wheelers	,,	10	2
Aircraft	Rs million	1000	300
Mopeds	Th APU	15	2
Other transport equipment	Rs million	100	20
Electronic measuring & testing instruments	Th APU	150	40
Medical and surgical instruments	Rs million	15	2
Watches, clocks and time pieces	Th APU	1500	250

APU=Average production unit.

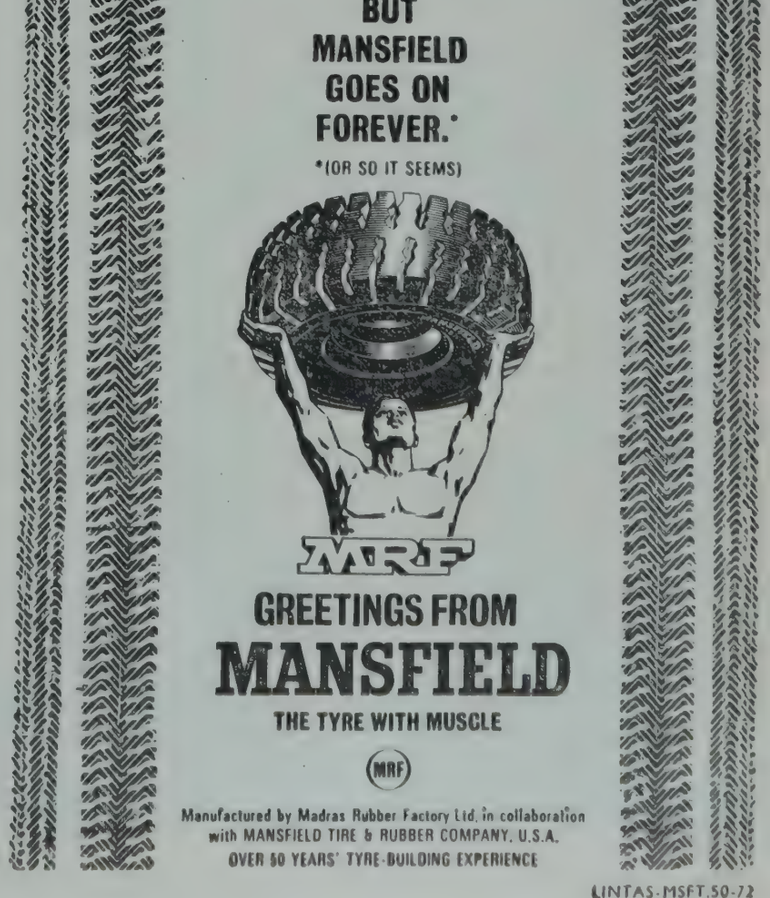
†Includes engines for cars, jeeps, petrol buses and re placement; imports are assumed to fall to zero.

††Reckoned at 20 per cent of the value of all cotton textile machinery.

**Reckoned at 80 per cent of the value of all building and road construction machinery.

*Proportion of engines produced in the country is assumed up to 40 per cent in 1975 and 60 per cent in 1980,

Note: The National Council of Applied Economic Research in their latest study 'Demand for Steel, 1975 and 1980' had esti mated the levels of production that would be achieved by diffe rent steel-consuming industries in 1975 and 1980, and had applied certain usage factors (comsumption norms) to these to obtain the aggregate demand for steel. The targets assumed in respect of different engineering industries are noted in the above table



Estimated Requirements for Major Petrochemicals

Product	Installed capacity 1963 t/a	Installed capacity 1970 t/a	Estimated requirements 1973-74 t/a	Estimated requirements 1978-79 t/a
Base Material				
Ethylene	5,000	100,000	215,000	NA
Propylene	..	45,000	88,000	NA
Benzene	15,000	87,000	140,000	207,000
Butadene	23,000	30,000	52,000	70,000
Xylenes	..	..	45,000	90,000
Synthetic Rubber Organic Chemicals	30,000	30,000	60,000	130,000
Acetone	1,500	18,000	16,000	28,000
DAA	..	4,800	3,500	NA
MIBK	..	3,700	1,800	NA
Acetic Acid	6,000	17,000	37,000	40,000
Plasticizer Alcohol	..	10,000	23,000	60,000
Phthalic Anhydride	..	12,000	24,000	45,000
Plasticizers	900	20,000	32,000	NA
Ethylene Oxide	..	12,000	17,500	33,000
Ehtylene Glycol	..	10,000	12,000	25,000
Butyl Alcohol	3,500	12,000	6,000	12,000
Detergent Alkyalate	..	..	12,500	30,000
Phenol	..	16,000	20,000	25,000
Formaldehyde	7,000	33,000	57,000	NA
Base Materials for Fibres				
Acrylonitrile	..	..	18,000	35,000
Caprolactum	..	..	34,000	55,000
DMT	..	..	26,000	55,000
Vinyl Acetate	..	..	25,000	NA
Pesticides				
BHC	3,900	18,000	52,000	NA
DDT	2,800	4,200	15,000	NA
Endrin	..	..	3,500	NA

Production of Plastics in India

(Tonnes)

Year	Total quantity	Thermoplastics	Thermosets
1961	12,742	10,198	2,544
1962	17,717	14,615	3,102
1963	20,375	16,399	3,976
1964	27,531	23,007	4,524
1965	37,198	32,438	4,760
1966	36,607	42,419	5,188
1967	35,632	30,439	5,193
1968	54,469	48,038	6,431
1969	85,246	79,172	6,074
1970	95,298	89,386	5,912
1971	113,395	106,133	7,262

Demand Estimates for Thermoplastics

(Tonnes)

Product	1973-74	1978-79	1981-82	1983-84
Low Density Polyethylene				
Domestic demand	72,000	1,74,000	3,01,000	4,33,000
Export provisions at 20 per cent	14,400	35,000	60,000	86,000
Production required	86,400	2,09,000	3,61,000	5,19,000
Capacity required at 85 per cent utilisation	1,01,280	2,44,000	4,21,000	6,05,000
Existing capacity	28,000	28,000	28,000	28,000
Possible expansion of existing units	10,000	10,000	10,000	10,000
Koyali first Phase	..	40,000	40,000	40,000
Second Phase	..	40,000	40,000	40,000
Gap in Production Capacity	63,280	1,26,000	3,03,000	4,87,000
High Density Polyethylene		1978-79	1981-82	1983-84
Required production capacity		77,000	1,22,000	1,69,000
Likely available capacity		35,000	35,000	35,000
Gap in Production Capacity		42,000	87,000	1,34,000
Polyvinyl Chloride				
Required production capacity		2,32,000	4,00,000	5,78,000
Likely available capacity		92,000	92,000	92,000
Gap in Production Capacity		1,40,000	3,08,000	4,86,000
Polypropylene				
Required production capacity		50,000	86,000	1,25,000
Likely available capacity		15,000	15,000	15,000
Gap in Production Capacity		35,000	71,000	1,10,000
Polystyrene				
Required production capacity		92,000	1,47,000	1,90,00
Likely available capacity		45,000	45,000	45,000
Gap in Production Capacity		47,000	1,02,000	1,45,000

Source: Journal of Industry and Trade, Ministry of Foreign Trade.

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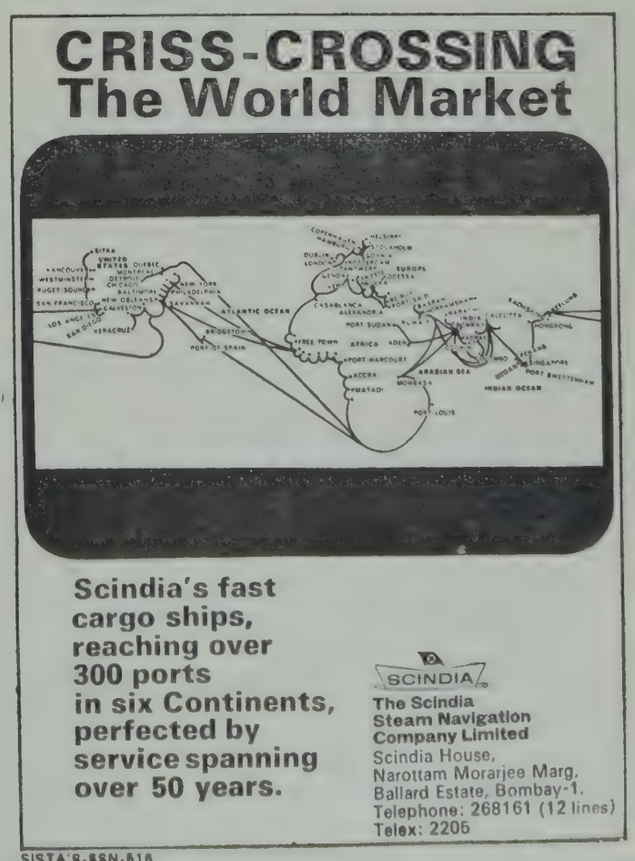
LIGHT POWER HEAT

Pharmaceutical Industry

(Present Capacity and Planned Expansion)

Product	Unit	Planned expansion by 1973-74	Capacity licensed/ approved at present
Antibiotics			
Penicillin	MMU	250	264
Streptomycin	Tonnes	300	215
Tetracyclines	,,	150	148.5
Chloramphenicol	,,	150	72.4
Newer Antibiotics	,	100	14
Sulphas			
Sulpha Drugs	Tonnes	1800	1000
Anti-T.B. Drugs			
PAS and its salts and esters	Tonnes	1000	410
INH	,,	250	200.8
Anti-Dysentery Drugs			
Halogenated Oxyquinoline	,,	150	101.4
Anti-Leprosy Drugs			
DDS and its derivatives	,,	80	18.3
Anti-Diabetics			
Insulin	MU	1500	1500
Tolbutamide, Chlorpropamide and Phenformin	Tonnes	105	47.1
Anti-Malarials			
Amodiaquin, Chloroquin Pyrimethanine and Prinaquin	,,	120	51
Analgesics and Anti-Pyretics			
Aspirin	Tonnes	1000	560
Anthelmintics			
Piperazine and derivatives	Tonnes	200	51.35
Barbiturates			
Phenobarbitone	Tonnes	50	10
Corticosteroids	Kgs	3000	..
Drugs of Vegetable Origin			
Digitalis Glycosides	Kgs	100	6
Reserpine	,,	50	14
Hormones			
Pituitary	Kgs	50	Nil
Other Hormones	,,	250	Nil
Plasma Substitutes			
Dextran	Lts	1 million	270,000
Vitamins			
Vitamin A	MMU	50	25
Viamin B1	Tonnes	75	30
Vitamin B2	,,	15	5
Vitamin B6	,,	15	1
Vitamin B12 and 12a	Kg	200	94.2
Folic Acid	Tonnes	5	1
Nicotinic Acid/amide	,,	300	134
Vitamin C		500	245
Other Misc. Drugs			
Nikethamide	Tonnes	20	7.1
Nitrofurans	,,	20	..
Surgical Sutures	Doz. tubes	400,000	120,000

Source: Organisation of Pharmaceutical Producers of India



Rubber Production (Variety-wise): 1956-71

(In tonnes)

Year	Natural rubber	Synthetic rubber	Reclaimed
1956	23,819	..	..
1957	24,147	..	..
1958	24,717	..	..
1959	23,772	..	..
1960	25,192	..	200
1961	26,992	..	475
1962	31,357	..	750
1963	37,200	8,511	1,678
1964	41,700	12,000	4,637
1965	49,397	16,000	7,756
1966	53,196	15,604	10,832
1967	62,161	21,808	12,129
1968	68,817	25,090	13,492
1969	79,951	24,614	13,513
1970	89,905	30,337	14,381
1971	98,884	33,007	15,433

Rubber Consumption (Variety-wise): 1956-71

(In tonnes)

Year	Natural rubber	Synthetic rubber	Reclaimed rubber	Total consumption
1956	29,460	2,447	3,313	35,220
1957	32,273	3,080	3,898	39,251
1958	35,312	3,304	4,116	42,732
1959	39,282	4,410	4,526	48,218
1960	45,941	6,561	5,327	57,829
1961	48,319	9,600	5,927	63,846
1962	51,776	10,409	6,577	68,762
1963	60,209	11,624	7,676	79,509
1964	60,076	14,062	9,006	83,144
1965	64,686	20,414	9,650	94,750
1966	66,693	21,947	10,578	99,218
1967	72,516	25,247	11,718	1,09,481
1968	84,206	24,517	13,521	1,22,244
1969	86,692	30,761	14,119	1,31,572
1970	86,469	31,810	13,672	1,31,951
1971	93,125	36,672	15,255	1,45,052

Demand and Supply of Rubber

(Thousand tonnes)

Year	Natural rubber		Synthetic rubber*		Total polymer demand
	Demand	Supply	Demand	Supply	
1972-73	115.0	115.0	38	36	142.0
1973-74	130.0	125.0	45	36	160.0
1974-75	135.0	135.0	52	36	185.0
1975-76	147.0	147.0	65	36	205.0

*Including Butyl etc.

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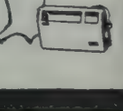


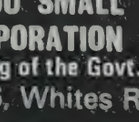
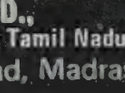









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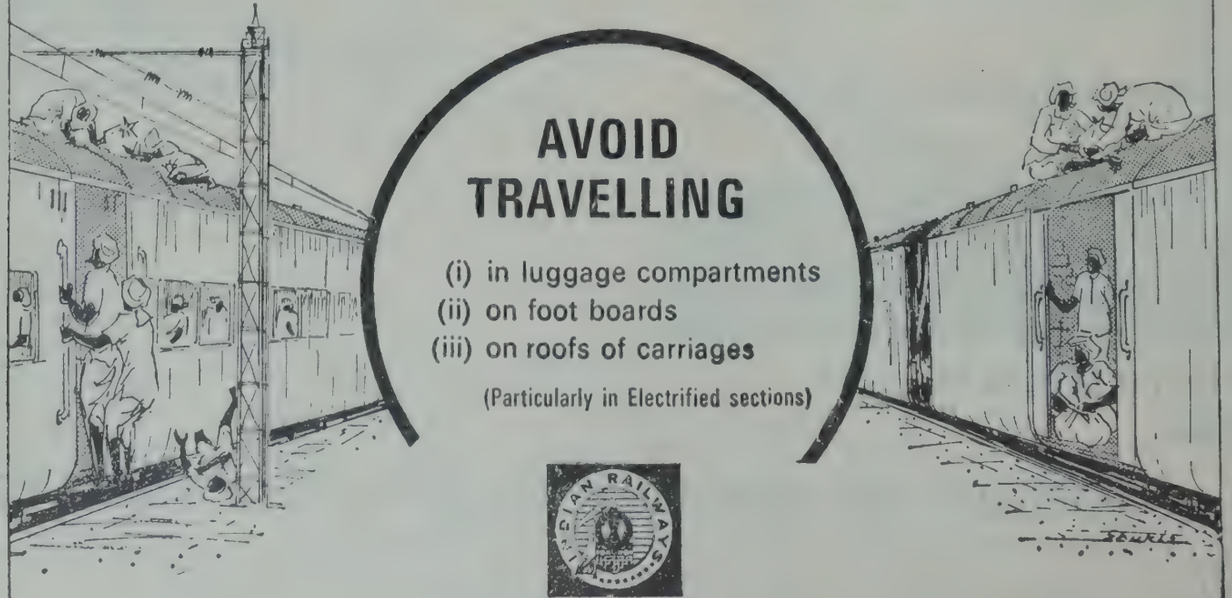
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Demand for Cables & Wires

Product	Unit	Production in 1970-71	Estimated demand		
			1971-72	1972-73	1973-74
AAC/ACSR	Tonnes	75,000	84,700	93,200	102,500
PVC and VIR cables and flexibles	mill core metres	500	590	650	715
Power Cables					
PILC power cables	kilometres	2,561	4,070	3,910	3,670
PVC power cables	kilometres	14,850	15,430	17,390	19,480
Total		17,411	19,500	21,300	23,150
Winding wires and strips of copper					
Enamelled	Tonnes	..	10,125	10,612	10,979
Paper and cotton covered	Tonnes	..	5,039	4,743	4,391
Total		16,900	15,164	15,355	15,370

Demand for Switchgear and Motor Controlgear

(In numbers)

Product	Production		Estimated demand		
	1969-70	1970-71	1971-72	1972-73	1973-74
Switchfuses and fuse switches upto and including 660 volts	59,930	88,900	97,800	107,600	1,23,800
Isolators and dropout fuses above 0.66KV and including 220 KV	26,600	39,900	43,900	48,300	55,600
Low tension circuit breakers	7,896	9,200	10,100	11,100	12,800
High tension circuit breakers					
Up to & including 11 KV	2,863	4,000	4,400	4,800	5,500
22 and 33 KV	544	687	750	900	1,000
66 KV	70	122	120	140	170
110/132 KV	134	344	400	440	500
220 KV and above	109	88	100	125	150
Total (HT circuit breakers)	3,720	5,241	5,770	6,405	7,320
Grand total	11,616	14,441	15,870	17,505	20,120
Motor controlgear					
(i) Up to & including 16 amps					
Contactors	10,46,125	10,33,740	6,82,600	7,46,400	8,12,000
DOL starters	3,51,496	3,55,890	3,41,300	3,73,200	4,06,000
Starters other than DOL	1,63,667	1,11,707	1,19,500	1,30,600	1,42,000
(ii) Above 16 amps and upto 40 amps					
Contactors	*	*	1,65,600	1,81,200	1,96,400
DOL starters	*	*	8,300	9,100	10,000
Starters other than DOL	*	*	55,900	61,200	66,300
(iii) Above 40 amps up to and 63 amps					
Contactors	16,343	34,433	13,800	15,000	16,500
DOL starters	1,723	1,428	2,300	2,500	2,750
Starters other than DOL	4,601	7,082	4,600	5,000	5,500
Above 63 amps					
Contactors	5,012	6,946	2,900	3,000	3,400
DOL starters	21	25	..	..	..
Starters other than DOL	2,146	2,943	2,300	2,400	2,750

*Included under controlgears up to and including 16 amps.

Demand for AC Induction Motors

HP Rating	Percentage of total demand	Demand in million HP 1970-71 (actual)	1971-72	1972-73 (estimated)	1973-74
FHP single and three-phase	1.7	0.04945	0.05060	0.05530	0.06010
FHP upto & including 20 HP	71.2	2.20132	2.12030	2.31900	2.51620
Above 20 HP upto & including 50 HP	13.5	0.44507	0.40200	0.43970	0.47710
Above 50 HP upto & including 100 HP	7.0	0.22147	0.20850	0.22800	0.24740
Above 100 HP	6.6	0.30009	0.19660	0.21500	0.23320
Total	100.0	3.21740	2.97800	3.25700	3.53400

Demand for Power and Distribution Transformers and AC Induction Motors

	1970-71 (actual)	1971-72	1972-73 (estimated)	1973-74
Installed generating capacity (mill KW)	16.430	18.235	20.209	22.351
Addition to generating capacity during the year (mill KW)	0.930	1.805	1.974	2.142
Transformer production/demand (Mill KVA)				
Distribution	5.048	4.475	4.895	5.311
Power	5.750	5.813	6.358	6.898
Total	10.798	10.288	11.253	12.209
Electric motor production/demand (mill HP)	3.217	2.978	3.257	3.543

NOTE: Imports of transformers and motors have been assumed to be negligible; the levels of production have been assumed to coincide with the demand.

Demand Estimates for Light Electrical Equipment

Product	Unit	Estimated demand 1971-72	1972-73	1973-74
Fans	mil nos	1,700	1,800	1,900
House service meters	Mil nos	2,200	2,400	2,650
Chokes	Mil nos	11,500	13,225	15,210
Radio receivers	Mil nos	2,100	2,310	2,540
Lamps	Mil nos			
Fluorescent tubes	Thou nos	14,000	16,100	18,520
Mercury vapour lamps	Thou nos	380	437	502
Capacitors				
Power factor improving capacitors	kVAR	3,61,000	3,94,800	4,28,400
Starting and suppressive condensers	Thou nos	5,012	5,663	6,406

Source: Indian Electrical Manufacturers' Association

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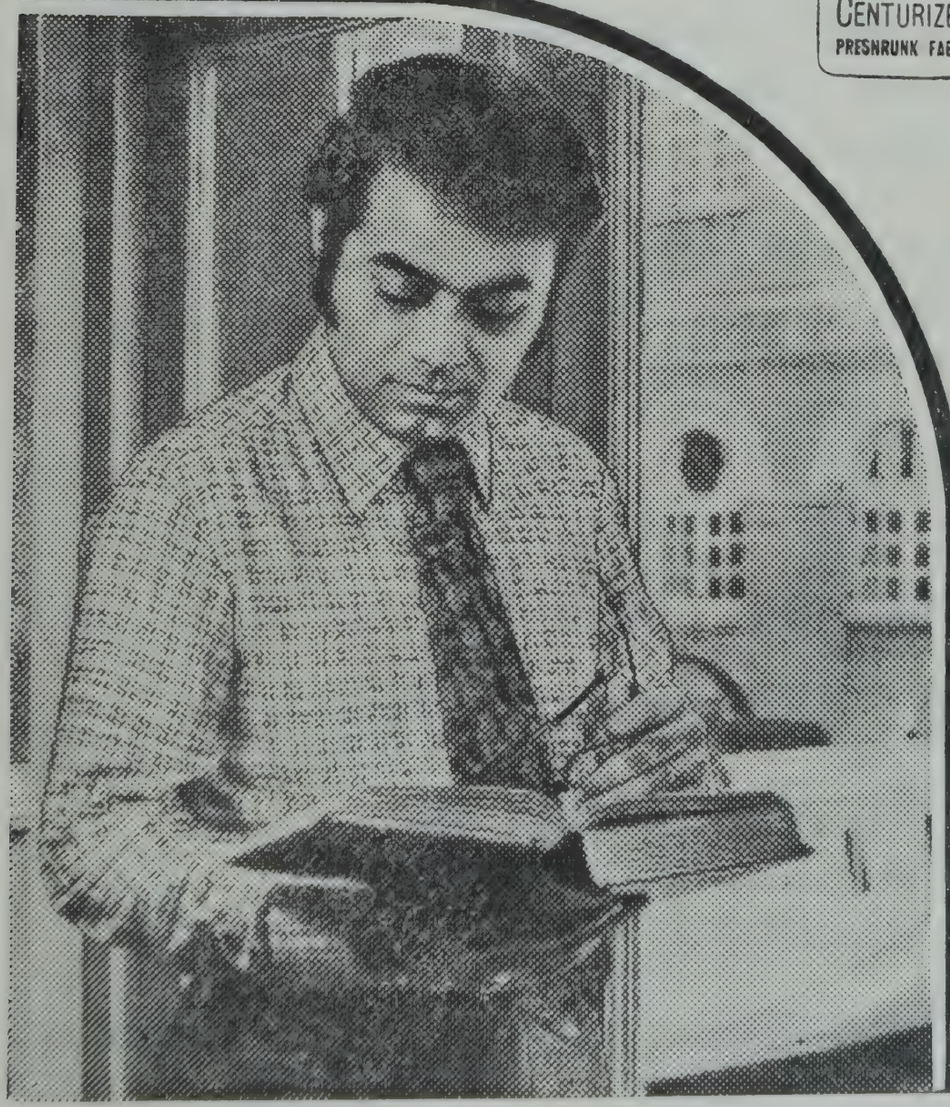
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Zone-wise Distribution of Iron Ore Reserves

Zones	Description of zone	Type of zone	Reserves (in million tonnes)					
			Measured			Total		
			Lump	Fines	Total	Lump	Fines	Total
A.	Bihar—Orissa	Haematite	1,354.0	1,282.0	2,636.0	1,591.0	2,224.0	3,815.0
B.	Bastar, Durg and Jabalpur dists. of MP and Chandrapura district of Maharashtra	Haematite	595.0	393.0	1,073.0*	1,037.0	1,703.0	2,825.0*
C.	Bellary, Shimoga Chickmagalur, Tumkur & Chitradurga dists. of Mysore State	Haematite	220.0	238.0	458.0	4110.0	641.0	1,052.0
D.	Union territory of Goa and Ratnagiri district of Maharashtra	Haematite	22.0	78.0	116.0†	91.0	306.0	427.0†
Total for zones A,B, C and D		Haematite	2,191.0	1,991.0	4,283.0‡	3,130.0	4,874.0	8,119.0‡
E.	Mysore, Tamil Nadu and Kerala State	Magnetite	..	..	1,141.0	..	..	1,915.0

*Break up of measured reserves of lump and fines in Surjagarh deposit not known. †Break up of reserves of lump nd fines of Reddi-Ratanagiri deposits not known. ‡Break up of lump and fines for Surjagarh and Reddi not known.

Note: (1) Reserves with respect of zones A, B, C & D are of+55 per cent Fe grade. (a) Lumps include +12 mm size ore and (3) Fines include — 12 mm size ore.

Demand and Production of Iron Ore During the Fourth, Fifth and Sixth Plan Peri ds

(In million tonnes)

Zone	Demand and production	Remainder of Fourth Plan (1971-72 to 1973-74)		Fifth Plan (1974-75 to 1978-79)		Sixth Plan (1979-80 to 1983-84)		Total Demand and producrion (1971-72 to 1983-84)		
		Lump	Fines	Lump	Fines	Lump.	Fines	Lnmp	Fines	Total
A	**Internal**	19.5	16.4	35.5	38.6	43.7	58.0	98.7	113.0	211.7
	Export	13.5	..	26.0	14.0	25.0	20.0	64.5	34.0	98.5
	Total	33.0	16.4	61.5	52.6	68.7	78.0	163.2	147.0	310.2
	Production at 50:50 lump-fine ratio	33.0	33.0	61.5	61.5	68.7	68.7	163.2	163.2	310.4
B	**Internal**	6.6	5.4	18.1	14.7	28.9	28.7	53.6	58.8	102.4
	Export	15.0	..	40.0	14.0	40.0	20.0	95.0	34.0	129.0
	Total	21.6	5.4	58.1	28.7	68.9	48.7	148.6	82.8	231.4
	Production at 60:40 lump-fine ratio	21.6	14.4	58.1	38.8	68.9	46.0	148.6	99.2	247.8
C	**Internal**	..	..	1.4	4.2	4.0	12.0	5.4	16.4	21.6
	Export	8.5	..	22.7	6.3	36.3	16.7	67.5	23.0	90.5
	Total	8.5	..	24.1	10.5	40.3	28.7	72.9	39.2	112.1
	Production at 48:52 lump-fine ratio	8.5	9.2	24.1	26.1	40.3	43.6	72.9	78.9	151.8
D	**Internal**	..	..	..	..	5.7	13.5	5.7	13.5	19.2
	Export	8.5	21.1	12.5	33.5	10.0	31.5	31.0	86.1	117.1
	Total	8.5	21.1	12.5	33.5	15.7	45.0	36.7	99.6	136.3
	Production	8.5	21.1	12.5	33.5	15.7	45.0	36.7	99.6	136.3
	Total production for zones A, B, C & D	71.6	77.7	156.2	159.9	193.6	203.3	421.4	440.9	862.3
E	**Internal**				15.0		25.0		40.0	40.0
	Export				36.0		150.0		186.0	186.0
	Total				51.0		175.0		226.0	226.0

Source ; Geological Survey of India.

Distribution of Manganese Ore Reserves in India

Area	Measured (In million tonnes)					Total (In million tonnes)				
	HG	MG	LG	Unclassified	Total	HG	MG	LG	Unclassified	Total
Orissa	..	..	..	..	..	..	3.75	6.86	33.03	43.64
MP & Maharashtra	7.03	0.12	..	0.06	7.22	36.93	4.51	0.17	0.17	41.78
Mysore	..	0.23	0.06	..	0.29	0.98	1.54	1.02	11.42	14.96
Gujarat	..	..	..	..	..	2.01	0.54	..	0.35	2.90
Andhra Pradesh	..	0.01	0.14	..	0.15	..	0.29	1.26	..	1.55
Goa*	..	..	..	..	..	..	..	..	..	1.12
Total	7.03	0.36	0.20	0.06	7.66	39.92	10.63	9.31	44.97	105.95

*The reserves in Goa are indicated recoverable with manganese content varying from 25 per cent to 48 per cent

Demand for Manganese Ore During the Period 1971-72 to 1983-84

(Million tonnes)

Demand	Remainder of of Fourth 1971-72 to 1973-74			Fifth Plan 1974-75 to 1978-79			Sixth Plan 1979-80 to 1983-84			Total requirements during 1971-72 to 1983-84			
	HG	MG	LG	HG	MG	LG	HG	MG	LG	HG	MG	LG	Total
Internal Consumption	1.42 (0.62 *O.M)	0.09	1.76	3.29 (1.63 *O.M.)	0.82	3.83	3.78 (1.82 *O.M.)	1.10	5.79	8.49 (4.08 *O.M.)	2.01	11.38	21.88
Export	1.02 (0.01 *O.M.)	1.17	2.01	1.70 (0.02 *O.M.)	1.95	3.35	2.67 (0.03 *O.M.)	3.06	5.27	5.39 (0.05 *O.M.)	6.18	10.63	22.20
Total	2.44 (0.63 *O.M.)	1.26	3.77	4.99 (1.65 *O.M.)	2.77	7.18	6.45 (1.85 *O.M.)	4.16	11.06	13.88 (4.13 *O.M.)	8.19	22.01	44.08

*O.M.=Oriental mixture with over 80% M_nO_2 H.G.=(High grade) ore with +46 per cent Mn. It also includes oriental mixture shown in brackets. M.G.=(Medium grade) 38 per cent to 46 per cent Mn. L.G.=(Low grade)—38 per cent Mn.

Distribution of Reserves of Chromite in India

(Million tonnes)

Grade	Measured Reserves			Total Reserves			
	Lump	Fine	Total	Lump	Fine	Lump-fine ratio N.A.	Total
Metallurgical : Orissa	0.38	1.62	2.00	0.52	3.13	0.31	3.96
Non-metallurgical : Orissa	0.63	1.41	2.04	0.79	1.43	..	2.21
Mysore	0.10	0.07	0.17	0.24	0.16	0.19	0.59
Maharashtra	..	..	..	..	..	0.11	0.11
Bihar	..	..	..	..	..	0.29	0.29
Tamil Nadu	..	..	..	..	..	0.22	0.22
Sub total of non-metallurgical grade	0.73	1.48	2.21	1.03	1.59	0.81	3.43
Unclassified : Orissa	..	..	..	..	..	6.48	6.48
Total of all grades	1.11	3.10	4.21	1.55	4.72	7.60	13.87

Source : Geological Survey of India.

Chromite Requirements Under Various Heads

Consuming products	Production of consuming product in million tonnes			Consumption norm (tonnes/unit)	Chromite required in million tonnes		
	1973-74	1978-79	1983-84		1973-74	1978-79	1983-84
Ferrochrome	0.01	0.018	0.02625	2.2	0.022	0.0396	0.05775
Refractories	1.25	2.0	3.0	0.04	0.05	0.08	0.12
Bichromites	0.008	0.012	0.018	1.7	0.014	0.021	0.031
Other uses	..	..	..	..	0.001	0.001	0.001
Exports	..	..	..	..	0.1	0.1	0.1
Total					0.187	0.2416	0.30975

Source: Geological Survey of India.

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Attractive Bottling, competitive price, regular supply and absolute satisfaction.

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Energy Availability and Requirements (Region-wise and State-wise)

(Public Utilities only)

Region/State	1968-69 (actual)	1969-70 (actual)	1970-71 (actual)	1971-72 (likely actuals)	1972-73	1973-74	1974-75
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All-India							
Installed capacity—MW	12756	13919	14831	15604	16835	18697	21225
Peak capability—MW	10652	11657	12515	13435	14397	16206	18815
Peak load—MW	8025	8903	9820 (a)	11475	12916	14618	16627
Gross margin—MW/%	2627/33	2754/31	2695/27	1960/17	1481/11	1588/11	2188/13
Energy potential—Million kWh	53439	56962	61497	64756	70343	78311	89449
Engery required—Million kWh	45009	49339	53618 (b)	60921	68077	76271	86103
Surplus/deficit—Million kWh	8430	7623	7879	3835	2266	2040	3346
Northern Region							
Installed capacity—MW	3280	3401	3634	3842	4521	5192	6044
Peak capability—MW	2601	2705	2962	3082	3708	4318	5294
Peak load—MW	2086	2373	2672 (a)	3253	3709	4233	4811
Gross margin—MW/%	515/25	332/14	290/11	—171/—5	—1/—	85/2	483/10
Energy potential—Million kWh	12352	13039	13978	13931	16383	19820	24933
Enegery required—Million kWh	11220	12490	13396 (b)	15697	17856	20231	22906
Surplus/deficit —Million kWh	1132	549	582	—1766	—1473	—411	2027
Western Region							
Installed capacity—MW	2900	3355	3661	3859	4040	4513	4858
Peak capability—MW	2652	3094	3342	3648	3819	4285	4621
Peak Load—MW	2052	2304	2568	2945	3371	3835	4422
Gross margin—MW/%	600/29	790/34	774/30	703/24	448/13	451/12	199/5
Energy potential—Million kWh	13315	14837	16733	17944	19354	21043	22623
Energy required—Million kWh	12407	13682	15075	16853	18942	21207	24159
Surplus/deficit—Million kWh	908	1155	1658	1091	412	—164	—1536
Southern Region							
Installed capacity—MW	3423	3852	4049	4385	4605	4804	5473
Peak capability—MW	2846	3162	3364	3783	3811	4056	4713
Peak Load—MW	2177	2453	2692(a)	3120	3466	3936	4406
Gross margin—MW/%	669/31	709/29	672/25	663/21	345/10	120/3	307/7
Energy potential—Million kWh	15510	15921	17084	18428	19540	20450	22656
Engery required—Million kWh	11620	13080	14757	16501	18262	20586	22848
Surplus/deficit—Million kWh	3890	2841	2327	1927	1278	—136	—192
Eastern Region							
Installed capacity—MW	3002	3159	3315	3346	3462	3941	4531
Peak capability—MW	2412	2554	2684	2758	2866	3316	3887
Peak load—MW	1652	1702	1802	2053	2247	2460	2807
Gross margin—MW/%	760/46	852/50	882/49	705/34	619/27	856/35	1080/38
Energy potential—Million kWh	11687	12589	13084	13826	14372	16109	17974
Energy required—Million kWh	9500	9752	10013	11426	12499	13584	15397
Surplus/deficit—Million kWh	2187	2837	3072	2400	1873	2525	2577
North-Eastern Region							
Installed capacity—MW	149	149	169	168	202	243	314
Peak capability —MW	140	141	160	161	190	226	296
Peak load—MW	57	70	85	103	121	153	179

(a) Recorded peak load. (b) Actual energy offtake

(*Continued*)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Gross margin—MW/%	83/146	71/101	75/88	58/56	69/57	73/48	117/65
Energy potential—Million kWh	572	573	614	622	688	883	1256
Energy required—Million kWh	259	332	374	439	512	657	786
Surplus/deficit—Million kWh	313	241	240	183	176	226	470
Northern Region							
Haryana							
Installed capacity—MW	498	498	498	498	511	538	646
Energy potential—Million kWh	1215	1149	1149	1128	1167	1263	2323
Energy required—Million kWh	951	1109	1343(b)	1632	1994	2394	2750
Surplus/deficit—Million kWh	264	40	—194	—504	—833	—1131	—427
Himachal Pradesh							
Installed capacity—MW	8	9	54	55	55	55	247
Energy potential—Million kWh	132	206	312	315	316	316	526
Energy required—Million kWh	112	140	156	184	225	251	296
Surplus/deficit —Million kWh	20	66	156	131	91	65	230
Jammu & Kashmir							
Installed capacity—MW	44	44	44	73	93	104	104
Energy potential—Million kWh	250	269	269	421	520	520	520
Energy required—Million kWh	185	212	220	304	356	425	470
Surplus/deficit—Million kWh	65	57	49	117	164	95	50
Punjab							
Installed capacity—MW	682	682	682	742	810	960	1149
Energy potential—Million kWh	2624	2529	2529	2614	2917	3508	5362
Energy required—Million kWh	2749	3086(b)	2674(b)	3614	4001	4536	5123
Surplus/deficit—Million kWh	—125	—557	—145	—1000	—1084	—1028	239
Rajasthan							
Installed capacity—MW	491	538	517	534	786	785	1038
Energy potential—Million kWh	1334	1620	1670	1662	2492	3167	4187
Energy required—Million kWh	869	1024	1169	1383	1619	1917	2258
Surplus/deficit—Million kWh	465	596	501	279	873	1250	1929
Uttar Pradesh							
Installed capacity—MW	1310	1383	1537	1642	1935	2352	2462
Energy potential—Million kWh	5317	5792	6563	6038	7153	8982	9686
Energy required—Million kWh	5317	5792	6563	7167	8095	8977	10096
Surplus/deficit—Million kWh	—	—	—	—1129	—942	5	—410
Chandigarh							
Installed capacity—MW	1.4	1.4	1.4	1.4	1.4	1.2	1.0
Energy potential—Million kWh	76	70	70	69	69	69	109
Energy required—Million kWh	63	74(b)	90(b)	106	121	135	148
Surplus/deficit—Million kWh	13	—4	—20	—37	—52	—66	—39
Delhi							
Installed capacity—MW	246	246	301	297	330	397	397
Energy potential—Million kWh	1404	1404	1416	1684	1755	1996	2220
Energy required—Million kWh	974	1053	1181	1307	1445	1596	1765
Surplus/deficit—Million kWh	430	351	235	377	310	399	455

(*Continued*)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Western Region				
Gujarat							
Installed capacity—MW	658	844	882	1022	1162	1349	1694
Energy potential—Million kWh	3111	3478	4086	4111	5175	6136	7084
Energy required—Million kWh	3111	3478	3884	4411	4972	5661	6638
Surplus/deficit—Million kWh	—	—	202	—300	203	475	445
Madhya Pradesh							
Installed capacity—MW	664	723	713	713	745	745	745
Energy potential—Million kWh	2779	3167	3051	3355	3510	3510	3510
Energy required—Million kWh	1871	2034	2234	2599	2917	3251	3888
Surplus/deficit—Million kWh	908	1133	817	756	593	259	—378
Maharashtra							
Installed capacity—MW	1574	1784	2064	2124	2133	2419	2419
Energy potential—Million kWh	7360	8120	9505	10366	10557	11284	11891
Energy required—Million kWh	7360	8098	8866	9738	10899	12111	13242
Surplus/deficit—Million kWh	—	22	639	628	—342	—827	—1351
Goa, Daman And Diu							
Installed capacity—MW	4	4	2	—	—	—	—
Energy potential—Million kWh	65	72	91	112	112	113	138
Energy required—Million kWh	65	72	91	105	154	184	391
Surplus/deficit—Million kWh	—	—	—	7	—42	—71	—253
			Southern Region				
Andhra Pradesh							
Installed capacity—MW	618	613	600	663	773	883	983
Energy potential—Million kWh	2667	2646	2760	2854	3190	3745	4461
Energy required—Million kWh	2230	2542	2860	3210	3573	4407	4998
Surplus/deficit—Million kWh	437	104	—100	—356	—383	—662	—537
Kerala							
Installed capacity—MW	547	547	547	622	622	622	882
Energy potential—Million kWh	2712	2441	2404	2422	2967	2967	4097
Energy required—Million kWh	1595	1737	1792	2015	2168	2283	2551
Surplus/deficit—Million kWh	1117	704	612	407	799	684	1546
Mysore							
Installed capacity—MW	788	877	877	966	966	1055	1144
Energy potential—Million kWh	4646	4759	3995	4736	4886	4961	4967
Energy required—Million kWh	2310	2965	3728	4207	4706	5208	5830
Surplus/deficit—Million kWh	2336	1794	267	529	180	—247	—863
Tamil Nadu							
Installed capacity—MW	1470	1815	2025	2134	2244	2244	2464
Energy potential—Million kWh	5396	5990	7828	8306	8382	8657	9006
Energy required—Million kWh	5396	5751	6280	6959	7700	8568	9344
Surplus/deficit—Million kWh	—	239	1548	1347	682	89	—338
Pondicherry							
Installed capacity—MW	—	—	—	—	—	—	—
Energy potential—Million kWh	89	85	97	110	115	120	125
Energy required—Million kWh	89	85	97	110	115	120	125
Surplus/deficit—Million kWh	—	—	—	—	—	—	—

(*Continued*)

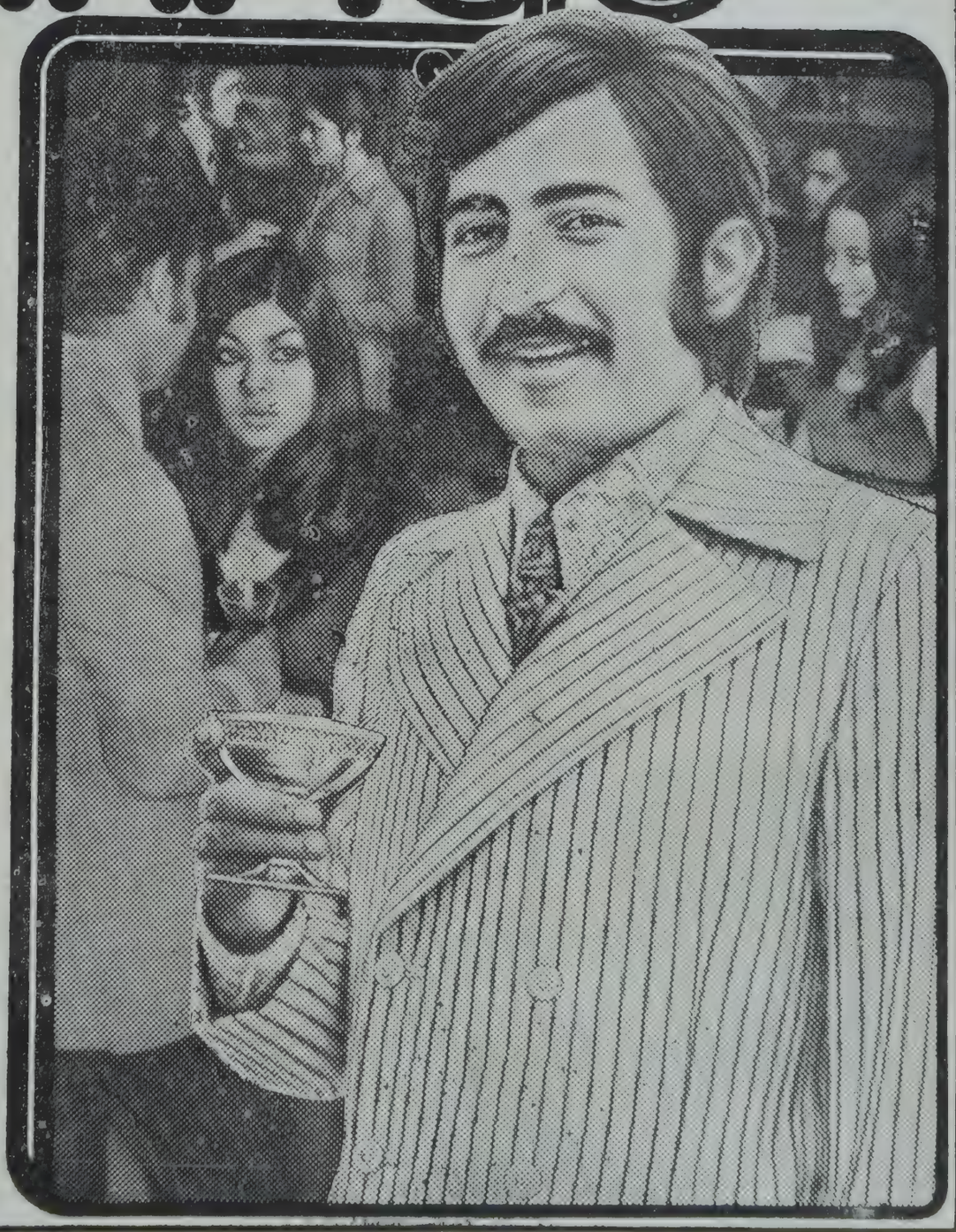
Energy Availability and Requirements (Regionwise and Statewise)—*(Continued)*

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Eastern Region				
Damodar Valley Corporation							
Installed capacity—MW	1061	1061	1061	1061	1181	1301	1301
Energy potential—Million kWh	4004	4004	4004	4004	4306	4911	5214
Energy required—Million kWh	3593	3520	3452	3800	4100	4465	5110
Surplus/deficit—Million	411	484	552	204	206	446	104
Bihar (Excluding DVC)							
Installed capacity—MW	237	342	497	588	593	593	943
Energy potential—Million kWh	941	1399	1789	2603	2855	2855	3559
Energy required—Million kWh	837	1050	1167	1566	1873	2091	2207
Surplus/deficit—Million kWh	104	349	622	1037	982	764	1352
South Bihar (Excluding D.V.C.)							
Installed capacity—MW	178	228	328	428	428	428	778
Energy potential—Million kWh	704	1084	1244	1842	2094	2094	2798
Energy required—Million kWh	678	856	953	1251	1469	1611	1686
Surplus/deficit—Million kWh	26	228	291	591	625	483	1112
North Bihar							
Installed capacity—Million kWh	59	114	169	160	165	165	165
Energy potential—Million kWh	237	315	545	761	761	761	761
Energy required—Million kWh	159	194	214	315	404	480	521
Surplus/deficit—Million kWh	78	121	331	446	357	281	240
West Bengal (Excluding DVC)							
Installed capacity—MW	1202	1202	1203	1143	1134	1373	1373
Energy potential—Million kWh	4849	4829	4775	4703	4695	5302	5505
Energy required—Million kWh	3682	3745	3737	4318	4648	4989	5274
Surplus/deficit—Million kWh	1167	1084	1038	385	47	313	231
Lower Bengal (Excluding DVC)							
Installed capacity—MW	1174	1174	1174	1104	1094	1334	1334
Energy potential—Million kWh	4755	4735	4675	4583	4552	5149	5347
Energy required—Million kWh	3625	3703	3694	4240	4553	4870	5140
Surplus/deficit—Million kWh	1130	1032	981	343	—1	279	207
Upper Bengal							
Installed capacity—MW	28	28	29	39	40	39	39
Energy Potential—Million kWh	94	94	100	120	143	153	158
Energy required—Million kWh	57	42	43	78	95	119	134
Surplus/deficit—Million kWh	37	52	57	42	48	34	24
Orissa							
Installed capacity—MW	502	554	554	554	554	674	914
Energy potential—Million kWh	1893	2357	2516	2516	2516	3041	3696
Energy required—Million kWh	1388	1437	1657	1742	1878	2039	2806
Surplus/deficit—Million kWh	505	920	859	774	638	1002	890
Andaman & Nicobar Islands							
Installed capacity—MW	1.8	2.4	3.0	3.2	3.9	4.5	4.5
Energy potential—Million kWh	3.2	3.2	3.8	4.7	5.5	6.3	7.1
Energy required—Million kWh	3.2	3.2	3.8	4.7	5.5	6.3	7.1
Surplus/deficit—Million kWh	—	—	—	—	—	—	—
			North-Eastern Region				
Assam, Meghalaya and Mizoram							
Installed capacity—MW	139	139	157	153	186	216	216
Energy potential—Million kWh	553	552	589	576	631	779	976
Energy raquired—Million kWh	240	311	349	403	469	604	719
Surplus/deficit—Million kWh	313	241	240	173	162	175	257

(Continued)

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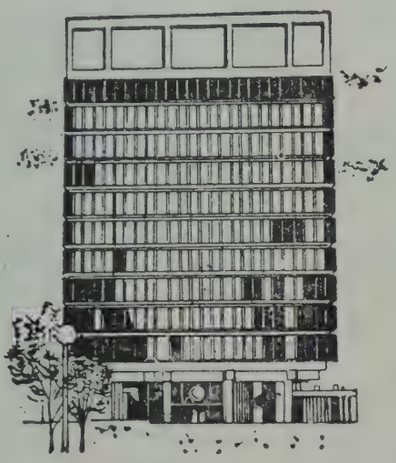
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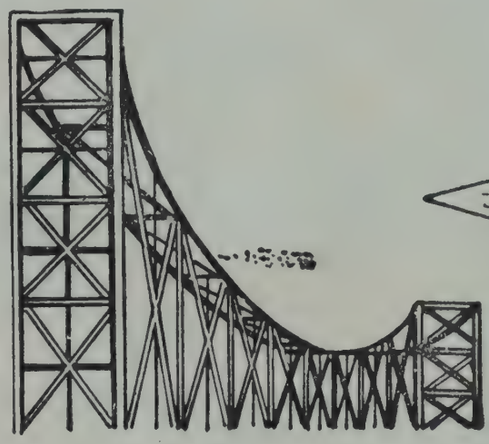
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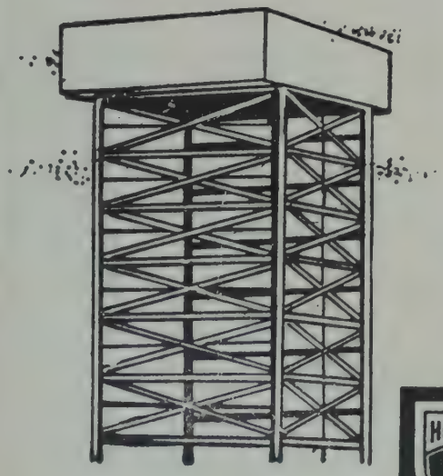
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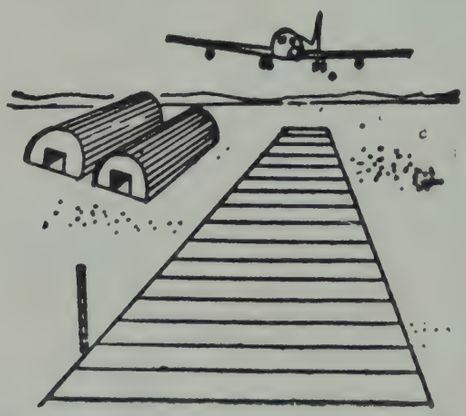
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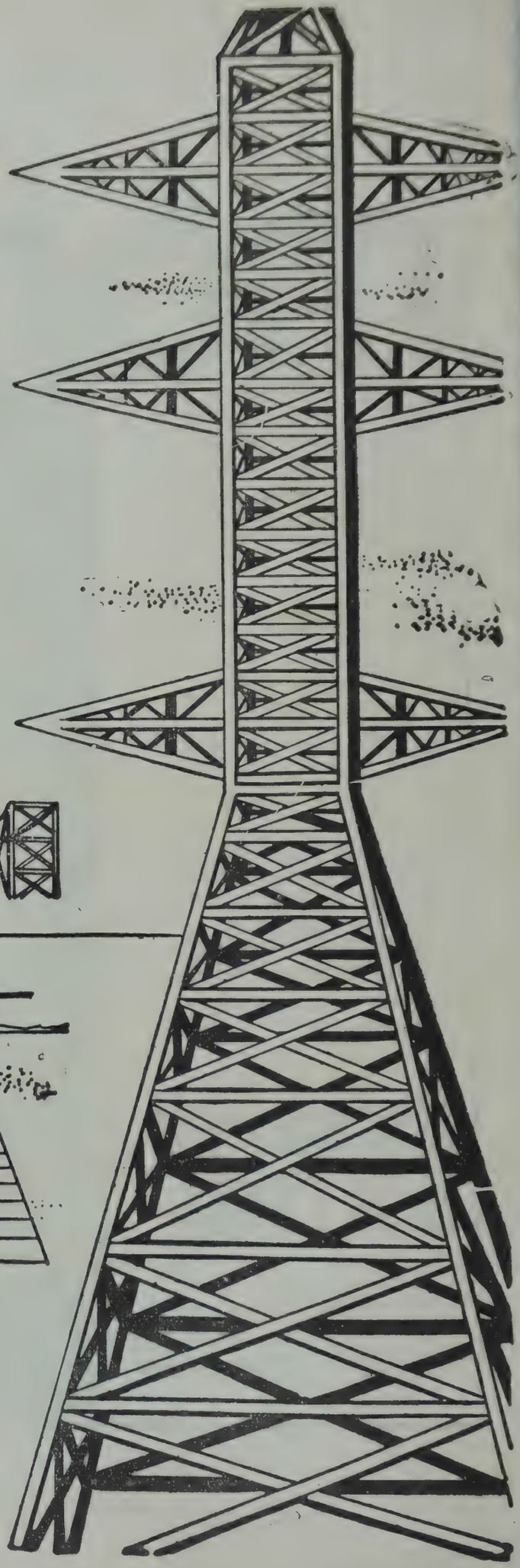
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Energy Availability and Requirements (Regionwise and Statewise)—(*Continued*)

(1)	2	3	4	5	6	7
Manipur						
Installed capacity—MW	2.8	2.8	3.2	5.3	5.6	5.6	75.6
Energy potential—Million kWh	6.1	6.1	7.3	10	13	17	119
Energy required—Million kWh	6.1	6.1	7.3	10	13	17	24
Surplus/deficit—Million kWh	—	—	—	—	—	—	95
Nagaland							
Installed capacity—MW	2.0	2.1	2.2	2.3	2.4	2.5	4.0
Energy potential—Million kWh	3.8	5.1	5.4	11.0	13.4	13.5	4.7
Energy required—Million kWh	3.8	5.1	5.4	6.0	6.8	7.7	8.6
Surplus/deficit—Million kWh	—	—	—	5.0	6.6	5.8	38.4
Tripura							
Installed capacity—MW	2.9	3.3	4.6	4.6	4.6	14.6	14.6
Energy potential—Millions Wkh	7.4	8.1	9	16	18	59	99
Energy required—Million kWh	7.4	8.1	9	16	18	21	26
Surplus/deficit—Million kWh	—	—	—	—	—	38	73
Arunachal Pradesh							
Installed capacity—MW	1.5	1.9	1.9	2.8	3.8	4.1	4.1
Energy potential—Million kWh	1.3	1.7	2.8	8.6	12.2	14.6	14.6
Energy required—Million kWh	1.3	1.7	2.8	4.2	5.4	6.8	8.2
Surplus/deficit—Million kWh	—	—	—	4.4	6.8	7.8	6.4

Peak Capability of power systems is defined as the maximum kilowatt capability of the systems with all power sources available (with no allowance for outages) at the time of occurrence of annual peak load in the systems less power requirements at the generating stations for station auxiliaries, station lighting, etc. and also with sufficient kilowatt hours available to supply the energy requirements of the system.

Peak Load is the maximum load encountered on a system during a year (when no restriction is imposed on the use of electric power) as measured by the actual deliveries at the generating station busbars. The peak load, therefore, includes transmission and distribution loss, but does not include the requirements of the generating stations for auxiliaries, station lighting etc.

Gross Margin represents the difference between peak eapability and peak load.

Source: Seventh Annual Electric Power Survey of India.

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Pattern of Utilisation of Electrical Energy (All-India): 1968-69—1974-75

(Public Utilities only)

Period	Domestic and commercial lighting and small power	Public lighting	Public water works and sewage pumping	Agricultural pumping	Railway traction	Industrial	Total
1	2	3	4	5	6	7	8
1968-69 (Actual)							
Energy consumption (Million kWh)	5433	382	828	3296	1314	26183	37436
Percentage to total	14.5	1.0	2.2	8.8	3.5	70.0	100.0
1969-70 (Actual)							
Energy consumption (Million kWh)	5918	440	937	3757	1406	29004	41462
Percentage to total	14.3	1.1	2.2	9.1	3.4	69.9	100.0
1970-71 (a)							
Energy consumption (Million kWh)	6471	481	1060	4508	1390	31407	45317
Percentage to total	14.3	1.1	2.3	9.9	3.1	69.3	100.0
1971-72 (b)							
Energy consumption (Million kWh)	7274	543	1219	5502	1642	35222	51402
Percentage to total	14.2	1.1	2.4	10.7	3.2	68.4	100.0
1972-73 (b)							
Energy consumption (Million kWh)	8085	605	1361	6584	1731	39147	57513
Percentage to total	14.1	1.1	2.4	11.4	3.0	68.0	100.0
1973-74 (b)							
Energy consumption (Million kWh)	8999	676	1542	7801	2021	43317	64356
Percentage to total	14.0	1.1	2.4	12.1	3.1	67.3	100.0
1974-75 (b)							
Energy consumption (Million kWh)	9997	752	1708	9105	2173	49014	72749
Percentange to total	13.8	1.0	2.4	12.5	3.0	67.3	100.0

(a) Likely actuals. (b) Anticipated. Source: Seventh Annual Electric Power Survey of Indi

Annual Demand Estimates for Passenger Cars
(Income change 5 per cent per annum)

(In thousands)

Year	Stock	Investment	Replacement	Annual demand
1. Price held constant, replacement at 1/2 % of stock				
1972-73	713			
1973-74	783	70	3.9	73.9
1978-79	1,247			
1979-80	1,369	122	6.8	128.8

2. Price decline 5%, replacement at 1/2% and 1% of stock

			Replacement		Annual demand	
			1/2	1	1/2	1
1972-73	736					
1973-74	808	72	4.0	8.0	76.0	80.0
1978-79	1,288					
1979-80	1,415	127	7.1	14.2	134.1	141.2

3. Price increase 5 %, replacement at 1/2 % and 1 % of stock

1972-73	691					
1973-74	759	68	3.8	7.6	71.8	75.6
1978-79	1,209					
1979-80	1,327	118	6.6	13.2	124.6	131.2

Demand Estimates for Scooters: 1973-74—1979-80
(Income change 5 per cent per annum)

(In thousands)

Year	Stock	Investment demand	Replacement demand	Annual demand
Life of vehicle 12 years, price held constant				
1973-74	461	65	11	76
1978-79	987	140	23	163
1979-80	1150	163	33	196
Life of Vehicle 10 years, price held constant				
1973-74	461	65	15	80
1978-79	987	140	40	180
1979-80	1150	163	52	215
Life of Vehicle 12 years* and 5% price decrease				
1973-74	537	76	11	87
1978-79	1149	162	40	202
1979-40	1340	191	52	243
Life of vehicle 12 years* and 5 % price increase]				
1973-74	399	57	11	68
1978-79	854	121	40	161
1979-80	995	141	52	193

*Life of vehicles 12 years up to 1973-74 and 10 years during 1974-75 to 1979-80.

Source : N.C.A.E.R.

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	1950-51	1955-56	1960-61	1965-66	1968-69	1973-74 (Estimated)	1978-79 (Target)
Enrolment in classes I-V (Age group 6-11) (in millions)							
Boys	13.8 (60.8)	17.5 (72.0)	23.6 (82.6)	32.2 (96.3)	34.0 (92.7)	41.3 (99.6)	45.5 (109.2)
Girls	5.4 (24.9)	7.6 (32.8)	11.4 (41.4)	18.3 (56.5)	19.9 (56.6)	27.3 (70.1)	42.5 (109.2)
Total	19.2 (43.1)	25.1 (52.8)	35.0 (62.4)	50.5 (76.7)	53.9 (75.1)	68.6 (85.3)	88.0 (109.2)
Enrolment in classes VI-VIII (Age-group 11-14) (in millions)							
Boys	2.6 (20.8)	3.4 (25.4)	5.1 (32.2)	7.7 (44.2)	8.7 (45.6)	12.2 (54.3)	18.2 (75.8)
Girls	0.5 (4.3)	0.9 (6.9)	1.6 (11.3)	2.8 (17.0)	3.4 (18.3)	5.9 (27.7)	17.0 (76.2)
Total	3.1 (12.8)	4.3 (16.5)	6.7 (22.5)	10.5 (30.8)	12.1 (32.1)	18.1 (41.3)	35.1 (76.0)
Enrolment in classes IX-XI (Age group 14-17) (in millions)							
Boys	1.09 (9.3)	1.65 (13.4)	2.47 (17.5)	4.07 (25.5)	4.89 (28.3)	7.09 (36.6)	9.13 (41.1)
Girls	0.16 (1.5)	0.33 (2.9)	0.56 (4.3)	1.20 (10.4)	1.58 (9.5)	2.61 (14.1)	4.57 (22.0)
Total	1.25 (5.5)	1.98 (8.3)	3.03 (11.1)	5.27 (16.9)	6.47 (19.1)	9.70 (25.6)	13.70 (31.9)
Enrolment at the university stage (Age group 17-23) (in thousands)							
Total	134 (0.4)	228 (0.6)	627 (1.2)	1,214 (2.3)	1,801 (3.0)	3,200 (4.5)	5,200* (7.0)
Total educational expenditure (Rs in millions)	1,144	1,897	3,444	6,220	8,500	12,500	22,500
Percentage of National income at current prices	1.2	1.9	2.4	2.8	2.8	3.3	4.5

*Includes enrolments in PUC. Excluding these, the enrolments at the university stage would be 24 lakhs in 1973-74 and 40 lakhs in 1978-79.

Note: Figures in brackets are percentages of enrolment to the population in the corresponding age-group.

Outlay/Expenditure on Education

(Rs crores)

Head of expenditure	First Plan	Second Plan	Third Plan	Interregnum (1966-69)	Fourth Plan (1969-74)	Fifth Plan (1974-79)
Elementary Education (including Pre-School education)	85 (56)	95 (35)	178 (30)	65.3 (20)	234.74 (28.5)	1600 (50.0)
Secondary Education	20 (13)	51 (19)	103 (18)	52.6 (16)	118.32 (14.4)	600* (18.9)
University Education	14 (9)	48 (18)	87 (15)	77.0 (24)	183.52 (22.3)	400 (12.6)
Teacher Education	@	@	23 (4)	9.4 (3)	21.17** (2.6)	
Social Education (including Youth Services)	5 (3)	4 (1)	2 ..	2.1 (1)	8.30 (1.0)	60 (1.9)
Cultural Programmes	§	3 (1)	7 (1)	3.7 (1)	12.49 (1.5)	
Miscellaneous Schemes	9 (6)	23 (8)	64 (11)	30.7 (9)	11.875 (14.5)	340 (10.3)
Total-General Education	133 (87)	224 (82)	484 (79)	240.8 (75)	697.29 (84.8)	3000 (93.7)
Technical Education	20 (13)	49 (18)	125 (21)	80.7 (25)	125.37 (15.2)	200 (6.3)
Total Education	153 (100)	273 (100)	589 (100)	321.5 (100)	822.66 (100)	3200 (100)

Note:—Figures given in parenthesis indicate percentages to total. @Included under Elementary/Secondary Education §Included under Miscellaneous Schemes. *Includes cost on vocationalistion and adoption of uniform pattern. **A provision crores has been made at different stages.

Source: Ministry of Education

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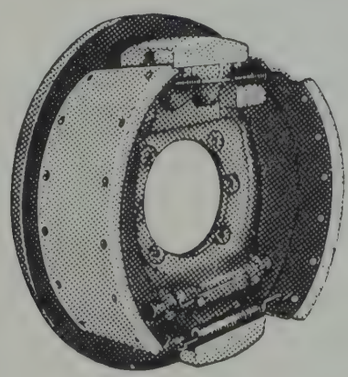
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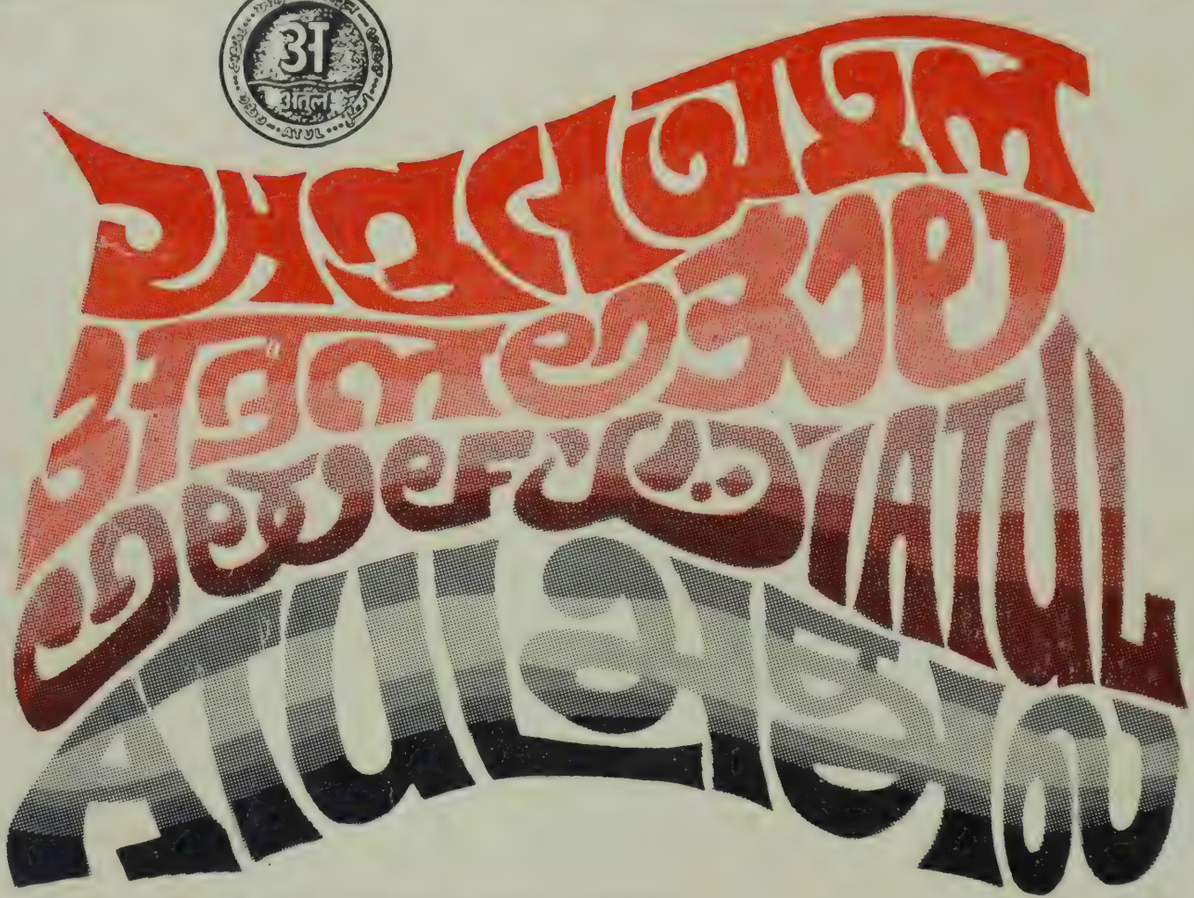
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Part II

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